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FOREIGN INVESTMENT AND FOREIGN TOURISM
IN THE OLD WEST REGION

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July 1975

A PROGRAM TO EXPAND EXPORTS, FOREIGN INVESTMENT AND FOREIGN TOURISM IN THE OLD WEST REGION

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Prepared for:

OLD WEST REGIONAL COMMISSION
RAPID CITY, SOUTH DAKOTA

SRI Project MSC-4048

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I INTRODUCTION

Background

Governors of the states of the Old West Region* have identified international trade as a possible means of increasing the economic base of the region. Manufacturers within these five states trail much of the nation in export promotion and their capability to serve foreign markets. The agricultural sector would also benefit from increased exports of its raw commodities and processed products. Greater emphasis by various levels of government may well increase the export activity in this very important part of the region's economy.

The attraction of domestic investment and technology has long been a concern of Old West Region states. The world economic and political situation may offer an opportunity for the Old West Region states to broaden their industrial prospecting horizons to include other countries rich in capital and industry.

Tourism is an important source of income to many states within the Old West Region. The problems of attracting the American tourist have been compounded by petroleum shortages but an opportunity may exist in increased promotion activities directed at the traveler of nondomestic origin. This potential was considered worthy of investigation for its probable impact on the region's economy.

The Old West Regional Commission wished to investigate the above-mentioned conditions as a means of improving its position in the field of international commerce, and contracted with Stanford Research Institute to develop a program designed to expand exports, foreign investment, and foreign tourism.

*The Old West Region consists of Nebraska, Montana, South Dakota, North Dakota, and Wyoming.

Objective

The objective of the study was to develop a program in the form of a set of strategic alternatives, designed to expand exports, foreign investments, and foreign tourism in the Old West Region.

The overall objective was attained by:

- Reviewing the existing resource base of the Old West states.
- Establishing priorities in terms of products and countries of opportunity.
- Selecting promotional methods and services that have been successfully applied in circumstances relevant to products and countries, and to the conditions in the Old West.
- Designing an international trade and investment development program, specifying a set of strategic alternatives open to the Commission and member states.

The development of a strategic plan involves matching resources with markets, and this dictated the nature of the work that was undertaken.

Methodology

During the study, the Old West states' manufactured products, agricultural products, and sources of tourism were identified. These products were checked against U.S. export data and other information to ascertain where export markets exist. The study was undertaken as follows:

Task 1--Resource Base and Market Identification

- A determination was made of the extent of participation by the Old West in the foreign tourism enjoyed by the United States.
- An assessment was made of the foreign investment attracted in recent years to the Old West states. An assessment was also made of target countries of opportunity for reverse investment.
- Basic demographic and economic data were obtained from public sources and reviewed to provide the project team with an understanding of the resources available to any potential foreign investor in the Old West Region.

- A priority list of commodities and countries was established based on the project team's review and best judgment.

Task 2--Promotional Analysis

- International trade promotion programs undertaken by states, regional authorities, and industry groups were identified. Interviews were completed to identify programs that have been successful, those that did not succeed, and the reasons why in both cases.
- Services provided by the Department of Commerce, Foreign Agriculture Service (FAS), Department of State, international banks, Old West states banks, and others were identified and evaluated by checking with selected users.
- Actions that companies could undertake on their own behalf were also identified.
- The project team utilized the services of other SRI professionals experienced in international trade and promotional work to evaluate alternative courses of action.

Task 3--Program Design and Strategy Development

Based upon the work completed in the first two tasks, strategies open to the Old West Regional Commission and member states were developed by the project team. The strategies developed included consideration of such elements as:

- Commission relationships with the five states
- Utilization of commission and state staffs to best advantage including the possible location of staffs in foreign offices
- Utilization of consultant services
- Trade fair participation
- Trade missions
- Development of joint export associations
- Development of training programs.

The objective of the strategies was to provide an ongoing international trade program for the Commission and member states.

In any study of this nature where the project team has to exercise considerable judgment, the biases and predispositions of the consultants inevitably become a factor in the analyses and interpretations that ultimately lead to conclusions and recommendations.

The project team has endeavored to be as objective as possible. However, the following assumptions underlie the research, findings, and recommendations included in this report.

- Any expenditures of public funds should have a high probability of achieving the objectives established of the programs for which appropriations have been made.
- The objectives established should have a clearly positive benefit/cost ratio.
- Additional administrative structures purely for coordination purposes are generally counterproductive and should not be established.
- Programs should be regional in character and work to benefit two or more states in the region.

The project team comprised Donald S. Green, J. Douglas McConnell, James C. Snipes, Edward P. Meko, and Dorothea Gross. The project team wishes to acknowledge the cooperation and assistance of William Burnett and Robert de Merssemann of the Old West Regional Commission. Considerable assistance was also provided by many industrial and economic development officials, tourism personnel, department of agriculture personnel, university faculty members, and members of the executive offices in the five Old West states. This assistance is fully and gratefully acknowledged. Unfortunately, these persons were too numerous to cite individually.

The remaining chapters of this report follow this outline:

- II: Conclusions and Recommendations
- III: Resource Base of the Old West Region
- IV: Foreign Trade
- V: Foreign Investment
- VI: Tourism
- VII: Programs for International Trade, Investment, and Tourism in other States and Regions.

II CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter summarizes the principal conclusions of the study, the bases for which may be found in subsequent chapters of the report, and contains the recommendations of the project team. All studies require, to a greater or lesser degree, the exercise of judgment. This study's conclusions and recommendations are dependent to a considerable extent on the judgment of the members of the project team, and this is fully acknowledged. Additional information may have added greater insight in certain areas under consideration. However, it is considered that such data would not have altered the conclusions reached to any significant extent.

Conclusions

- Excluding minerals and agriculture, the Old West Region has limited resources on which to base comprehensive export promotion and reverse foreign investment. Present programs operated by the states to promote exports and to attract reverse investment are appropriately modest. It is surprising, however, that there is no regional program directed toward regional industrial development.
- Local industries lacking strength in national markets are unlikely to develop export markets. Investments by foreigners in the Old West will tend to follow U.S. investor patterns in the Old West, i.e., agricultural machinery and equipment, food and kindred products, lumber and wood products, petroleum and coal products. Regional programs to attract foreign investment should supplement similar efforts introduced to attract U.S. investors.
- Some efficiencies appear possible through a regional program to attract domestic and foreign investment in selected industrial sectors and product groups. This program probably should be directed to attract first Canadian and U.S. firms and second, foreign investment.

- Basic agricultural commodity exports have traditional strong U.S. private marketing intermediaries. Many of the Old West states contribute to international agricultural marketing associations, such as the Great Plains Wheat Council and the Western Wheat Association. Regional programs are not called for in the areas of basic agricultural exports, where existing trade patterns and marketing channels are well established and Old West states' participation is strong.
- A regional program would be appropriate for agricultural specialty products, directed toward examining national and foreign market opportunities and developing specific foreign markets. Suggested products include beef, meat products, livestock, and cereal products.
- As important producers of food, feed, and livestock, the Old West states have opportunities to capitalize on location, terrain, climate, and experience to sell agricultural equipment, machinery, supplies, and products abroad, particularly in the developing nations and in the Middle East, and perhaps to attract agricultural product supplier and processing industries to the region.
- Any international program to attract foreign investment is unlikely to produce significant results within the first two years of operation. An export promotion program could have results within two years.
- Tourism is a resource offering considerable potential. Natural scenic wonders, the allure and appeal of "the West," and the relative strength of the states' tourism organizations all combine to make this an area of some promise. As the Old West Regional Commission is currently in process of contracting for the development of a tourism program for the Region, recommendations in this area are deemed neither necessary nor warranted. Our findings are consistent with the Commission effort under way to plan for the development of tourism.
- Based on the experience of other states and regions, it is considered advisable to begin an international development program with modest goals and objectives and to grow as success and experience accrue.
- Regional programs should neither usurp nor replace the state agencies in existence. Rather, they should provide complementary resources that will add to their overall effectiveness. Additional layers of administration add to costs and reduce effectiveness.

Strategies Open to the Old West Regional Commission

Basically, two broad strategic alternatives are open to the Commission in formulating international trade and development programs. The first is highly decentralized and, in its simplest form, would mean that the Commission would provide funds to the individual states. The second strategy is much more centralized and in it the Commission would provide and maintain control over its own programs and personnel. Both approaches have merits and drawbacks and these will be considered in this section of the report.

A Decentralized Program

In a decentralized program, the Commission would appropriate funds to the member states so that additional development personnel could be hired, and additional work undertaken.

The advantages of this approach are summarized below:

- It puts the emphasis on the individual states, where knowledge of local strengths, conditions, opportunities, and limitations should be greatest.
- It puts responsibility at the lowest level of government consistent with the autonomy of state operations.
- It would provide funds to programs that are currently operating with very limited budgets.
- It precludes the possibility of developing another administrative layer of government that would have a low benefit-cost ratio.

The decentralized approach, however, is not without its drawbacks. These are considered to be:

- The Commission would have no means of ensuring meaningful regional cooperation when the individual interests of each state were concerned.
- The Commission would have little real control over performance for programs undertaken by the state agencies.
- Allocating Old West funds to state departments for program expansion departs from the sound principle of state legislative control over the state agencies.

- Providing additional funds to existing state agencies may not lead to new or more successful programs.
- With a highly decentralized program, the problems of undertaking meaningful studies of regional resources and exploiting opportunities are exacerbated.
- With a fully decentralized program, the Commission would be under some pressure to give each state the same appropriation, irrespective of need or likely benefit. Thus, expenditures are likely to be misallocated.

A Centralized Program

With a centralized program, the Commission would be the controlling authority, providing a focus for the joint regional interests of each of the states. The Commission would be the employer of any persons employed, let any contracts for studies and research, and control the expenditure of funds.

The advantages of a centralized strategy of international development for the region are as follows:

- A regional emphasis is assured.
- Assistance can be provided more flexibly when and where opportunities arise.
- Given the small existing industrial and agricultural processing base in the region, a regional program can be managed effectively by a small, well-qualified staff operating out of one or both of the Commission's offices in Rapid City and Billings.
- Fiscal authority and responsibility for program design, management, and results are retained in the one organization.
- Interstate cooperation is more likely to result in crucial areas such as arranging visits and tours for purposes of reverse investment.
- The centralized approach is more likely to result in a highly focused, more efficient program with a consistent set of goals and attainable objectives.
- A smaller initial budget with continuing budget and program flexibility is more likely to be maintained in a centralized program than would occur otherwise.

The centralized approach to international development also has some disadvantages. These are considered to be:

- There is a possibility that another bureaucratic administrative layer of government may develop.
- It is unlikely that a regional program will provide equal benefits to each of the five states.
- A regional staff cannot expect to be as familiar with the area as residents in each of the states.

On balance, it is considered that a centralized strategy has more to commend it than a decentralized strategy for the Old West states. A centralized program is therefore recommended in the next section of this chapter.

Recommended Program for the Old West

SRI recommends the following program to the Old West Regional Commission. We contemplate a two-year program because we recognize that this is the minimum time period before positive benefits may be expected.

We recommend that for the biennium of fiscal 1976 and 1977 a budget of between \$440,000 and \$565,000 be appropriated for agro- and other industrial-development programs, both domestic and international, and for expanding selected agricultural product exports.

The major budget items are summarized in Table 1.

The agricultural development components of the program comprise:

- Appointment of one man to the Old West Regional Commission staff. This person is envisaged as a seasoned, experienced professional with a highly pragmatic orientation. He will exercise a dual role--leading the export program follow-through with states and administering the agroproduct studies contract for domestic and foreign markets.
- Assistance with the financing and organizing of missions abroad and arranging promotional contracts with established

Table 1

TOTAL PROGRAM FOR FISCAL 1976 AND 1977
(Thousands of U.S. Dollars)

	<u>Staff</u>	<u>Trade and In- vestment Missions</u>	<u>Market and Re- source Studies</u>	<u>Total</u>
Agriculture and food product development and exports	\$ 50	\$25-\$50	\$150-\$200	\$225-\$300
Industrial development and exports	50	15	150- 200	215- 265
Total	\$100	\$40-\$65	\$300-\$400	\$440-\$565

organizations, such as the Western Wheat Association in Japan, to promote exports of specific Old West products (e.g., beef) in specific markets, (e.g., Japan).

- Export lead development and response facilitation. Of these two functions, the latter is considered more important.
- Initiation of three to five agricultural resource and market studies. Here, we anticipate a series of studies such as:
 - Breeder livestock
 - Seed and feed grains
 - Processed food, meat, dairy and kindred products, for both U.S. and foreign markets.

The industrial development program comprises a regional development plan with international ranking, second in importance to regional and national markets. The components of the program are:

- Assignment of one Old West staff person to administer selected contract market studies and to assist in developing selected product- and market-oriented foreign and domestic investment missions.
- Appointment of a second professional for export promotion. This person should be experienced in manufactured products exports. He should be a response facilitator working with

local manufacturers, state agencies, and foreign buyers to turn leads into export sales and to assist in arranging for foreign sales representatives. This person will also work with federal and state agencies in arranging informational/educational activities, including inbound missions of foreign buyers to complement the sales generation activities of the region.

- Administration of contracts for feasibility studies for expanding or establishing manufacturing plants in the region. Somewhere between three and five market and resource studies are envisaged in the two-year period, to include such product classes as agricultural machinery and equipment, lumber and wood products, chemicals and allied products, and primary metals and metal products.
- Assistance to the states is financing and organizing one or more regional export missions with products tailored to the needs of the country visited, e.g., agricultural machinery and equipment and related specialty products to the Middle East and Brazil.

III RESOURCE BASE OF THE OLD WEST REGION

Introduction

In formulating any strategic plan, one must not only know what the objectives are, but also what resources form the base from which to operate. Clearly, if the resources are totally inadequate, the objectives may well have to be modified or perhaps even abandoned.

Only a brief study of the inventory of the Old West Regional States' resources was possible during the project. The resource base study was broad. It was designed to be a catalogue of resources to serve as a screening device. In this chapter, the Old West Region is reviewed in terms of its manufacturing sector, its agricultural sector, and tourism. Population and employment are reviewed in passing. Existing state agencies are discussed in dealing with the specific sectors of the economy they are designated to serve.

Manufacturing Base

As a region, the Old West states account for only 1.3 percent of U.S. manufactures and only 0.5 percent of exports of manufactured goods from the United States. Food and kindred products account for 53 percent of the total value of Old West shipments and, within this product classification, meat products clearly predominate, as is readily apparent from Table 2. Next in order of value are shipments of petroleum and coal products (5 percent of total value of Old West shipments) and machinery, except electrical (5 percent of total value of Old West shipments).

The Old West states produce some 4.4 percent of all U.S. shipments of food and kindred products, and only 0.7 percent of all U.S. shipments of manufactures, excluding food and kindred products. Clearly, the manufacturing base of the Old West Region is not strong, when compared with the rest of the United States.

Also evident from Table 2 is that only in the area of miscellaneous manufactures does the Old West Region have a higher percentage of exports to shipments than does the United States as a whole. In all other product classifications, including food, the region exports a significantly lower share of its shipments than does the United States as a whole.

THEORY OF THE
EARTH AND ITS HISTORY

CHAPTER I

The Earth is a sphere, and its surface is covered by water and land. The land is divided into continents and islands. The water is divided into oceans and seas. The atmosphere is the layer of gas that surrounds the Earth. The lithosphere is the solid part of the Earth's surface. The hydrosphere is the water part of the Earth's surface. The biosphere is the part of the Earth where life exists.

The Earth's history is the study of the changes that have taken place on the Earth's surface over time. The geologists study the rocks and the fossils that are found in them. The paleontologists study the fossils that are found in the rocks. The geographers study the changes in the Earth's surface that are caused by the forces of nature. The climatologists study the changes in the Earth's climate over time. The biologists study the changes in the Earth's life over time.

CHAPTER II

The Earth's surface is constantly changing. The forces of nature are constantly at work, and they are constantly changing the Earth's surface. The forces of nature are the forces of erosion, the forces of deposition, the forces of weathering, and the forces of tectonics. The forces of erosion are the forces that wear down the Earth's surface. The forces of deposition are the forces that build up the Earth's surface. The forces of weathering are the forces that break down the Earth's surface. The forces of tectonics are the forces that move the Earth's surface.

The Earth's surface is constantly changing, and the forces of nature are constantly at work. The forces of nature are the forces of erosion, the forces of deposition, the forces of weathering, and the forces of tectonics. The forces of erosion are the forces that wear down the Earth's surface. The forces of deposition are the forces that build up the Earth's surface. The forces of weathering are the forces that break down the Earth's surface. The forces of tectonics are the forces that move the Earth's surface.

Sic Code	Major Industry	Total Shipments	Export Value	O.W. Total Shipments as Percent of U.S. Total Shipments (percent)	O.W. Exports as Percent of U.S. Exports (percent)
20	Food and Kindred Products	\$113,509	\$ 3,046	4.4%	2.5%
201	Meat Products	--	--	--	--
202	Dairy Products	--	--	--	--
204	Grain Mill Products	--	--	--	--
205	Bakery Products	--	--	--	--
207	Fats and Oils	--	--	--	--
208	Beverages	--	--	--	--
209	Miscellaneous Food and Kindred Products	--	--	--	--
21	Tobacco Manufactures	6,138	608	0	0
22	Textile Mill Products	27,430	655	0	0
23	Apparel and Textile Products	27,001	292	0.1	0
24	Lumber and Wood Products	18,112	766	2.7	0
242	Sawmill and Planing Mills	--	--	--	--
243	Millwork, Plywood, Structural	--	--	--	--
245	Wood Buildings and Mobile Homes	--	--	--	--
25	Furniture and Fixtures	11,231	52	0.5	0
26	Paper and Allied Products	29,565	988	0.2	0
27	Printing and Publishing	28,709	348	0.8	0
28	Chemicals and Allied Products	58,115	3,757	0.3	0.2
281	Industrial Inorganic	--	--	--	--
283	Drugs	--	--	--	--
287	Agricultural	--	--	--	--
29	Petroleum and Coal Products	28,299	401	1.7	0
30	Rubber and Plastic Products	19,397	519	0.5	0
31	Leather and Leather Products	5,781	104	0	0
32	Stone, Clay, and Glass Products	20,708	409	1.1	0
327	Concrete, Gypsum, and Plaster	--	--	--	--
33	Primary Metal Industries	59,013	1,490	0.5	0
34	Fabricated Metal Products	46,125	1,429	0.5	0.4
344	Fabricated Structural	--	--	--	--
35	Machinery, except Electrical	63,324	7,824	0.8	0.6
352	Farm	--	--	--	--
353	Construction	--	--	--	--
36	Electric, Electronic Equipment	53,585	3,296	0.5	0.2
37	Transportation Equipment	96,327	7,842	0.1	0.1
38	Instruments and Related Products	13,839	1,531	0.7	0.5
39	Miscellaneous Manufactures	19,093	1,252	0.2	0.3
	All Industries Total [†]	\$745,301	\$36,608 ^{**}	1.3%	0.5%

* Figures obtained from Source B, for 1972.

† Figures obtained from Source A.

‡ Includes figures for industry groups not in industry groups.

§ Less than \$1 million.

** MC72(A)-1, "General Statistics for 1972."

Sources used in footnotes:

(A) Survey of the Origin of Exports, November 1974, Tables 1, 2, 5, and 6.

(B) 1972 Census of Manufactures: Department of Commerce, Bureau of Economic Analysis, Area Series.

Table 2

VALUE OF SHIPMENTS AND ESTIMATED VALUE OF EXPORTS BY MANUFACTURING INDUSTRY FOR THE OLD WEST STATES AND THE UNITED STATES: 1972
(Millions of U.S. Dollars)

Sic Code	Major Industry	Nebraska		Montana		South Dakota		North Dakota		Wyoming		Old West Total		O.W. Estimated Exports Percent of Total O.W. Shipments (percent)	U.S. Estimated Exports Percent of Total U.S. Shipments (percent)	Total [*] Shipments	Export [†] Value [‡]	O.W. Total Shipments as Percent of U.S. Total Shipments (percent)	O.W. Exports as Percent of U.S. Exports (percent)
		Total [*] Shipments	Export [†] Value [‡]	Total [*] Shipments	Export [†] Value [‡]	Total [*] Shipments	Export [†] Value [‡]	Total [*] Shipments	Export [†] Value [‡]	Total [*] Shipments	Export [†] Value [‡]	Total [*] Shipments	Export [†] Value [‡]						
20	Food and Kindred Products	\$3,780	\$ 61	\$ 255	--	\$621	\$5-10	\$258	\$5-10	\$ 64	--	\$4,978	\$ 71-81	1.5%	2.7%	\$113,509	\$ 3,046	4.4%	2.5%
201	Meat Products	2,736	--	106	--	455	--	66	--	--	--	--	--	--	--	--	--	--	--
202	Dairy Products	154	--	43	--	100	--	77	--	16	--	--	--	--	--	--	--	--	--
204	Grain Mill Products	427	--	40	--	36	--	31	--	--	--	--	--	--	--	--	--	--	--
205	Bakery Products	15	--	--	--	8	--	9	--	--	--	--	--	--	--	--	--	--	--
207	Fats and Oils	130	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
208	Beverages	54	--	12	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
209	Miscellaneous Food and Kindred Products	79	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
21	Tobacco Manufactures	--	--	--	--	--	--	--	--	--	--	0	0	0	9.9	6,138	608	0	0
22	Textile Mill Products	10	--	--	--	--	--	--	--	--	--	10	--	0	2.4	27,430	655	0	0
23	Apparel and Textile Products	31	--	--	--	--	--	--	--	--	--	31	0	0	1.1	27,001	292	0.1	0
24	Lumber and Wood Products	92	--	297	--	52	--	21	--	29	--	491	0	0	4.2	18,112	766	2.7	0
242	Sawmill and Planing Mills	--	--	179	--	10	--	--	--	29	--	--	--	--	--	--	--	--	--
243	Millwork, Plywood, Structural	16	--	58	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
245	Wood Buildings and Mobile Homes	67	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
25	Furniture and Fixtures	57	--	--	--	--	--	--	--	--	--	57	0	0	0.5	11,231	52	0.5	0
26	Paper and Allied Products	58	--	--	--	--	--	--	--	--	--	58	0	0	3.3	29,565	988	0.2	0
27	Printing and Publishing	140	--	30	--	30	--	25	--	13	--	238	0	0	1.2	28,709	348	0.8	0
28	Chemicals and Allied Products	174	\$-10	24	--	--	--	--	--	--	--	198	\$-10	3.8	6.5	58,115	3,757	0.3	0.2
281	Industrial Inorganic	--	--	19	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
283	Drugs	66	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
287	Agricultural	76	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
29	Petroleum and Coal Products	--	--	234	--	--	--	--	--	257	\$	491	\$	0.1	1.4	28,299	401	1.7	0
30	Rubber and Plastic Products	94	--	--	--	8	--	--	--	--	--	102	0	0	2.7	19,397	519	0.5	0
31	Leather and Leather Products	--	--	--	--	--	--	--	--	--	--	0	0	0	1.4	5,781	104	0	0
32	Stone, Clay, and Glass Products	96	--	42	\$	23	--	32	--	32	--	225	\$	0.2	2.0	20,708	409	1.1	0
327	Concrete, Gypsum, and Plaster	68	--	15	--	--	--	12	--	--	--	--	--	--	--	--	--	--	--
33	Primary Metal Industries	287	\$	--	--	--	--	--	--	--	--	287	\$	0.2	2.5	59,013	1,490	0.5	0
34	Fabricated Metal Products	224	6	14	--	--	--	--	--	--	--	238	6	2.5	3.1	46,125	1,429	0.5	0.4
344	Fabricated Structural	115	--	10	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
35	Machinery, except Electrical	334	33	--	--	78	1-5	76	\$-10	--	--	488	39-48	9.0	12.4	63,324	7,824	0.8	0.6
352	Farm	177	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
353	Construction	--	--	--	--	11	--	--	--	--	--	--	--	--	--	--	--	--	--
36	Electric, Electronic Equipment	262	\$-10	--	--	--	\$	--	--	--	--	262	\$-10	2.9	6.2	53,585	3,296	0.5	0.2
37	Transportation Equipment	124	8	--	--	15	--	--	--	--	--	139	8	5.8	8.1	96,327	7,842	0.1	0.1
38	Instruments and Related Products	102	\$-10	--	--	--	--	--	--	--	--	102	\$-10	7.3	11.1	13,839	1,531	0.7	0.5
39	Miscellaneous Manufactures	31	--	4	--	--	--	--	4	--	--	35	4	11.4	6.6	19,093	1,252	0.2	0.3
	All Industries Total [‡]	\$5,923	\$ 136	\$1,584	\$10-25	\$916	\$ 17	\$589	\$ 16	\$460	\$1-5	\$9,472	\$190-209	2.1%	4.9%	\$745,301	\$36,608**	1.3%	0.8%

* Figures obtained from Source B, for the respective states from Table 3 of each report.

† Figures obtained from Source A.

‡ Include figures for industry groups that have been withheld from publication in order to avoid disclosing figures for individual companies, or permit further checking of figures for smaller industry groups.

\$ Less than \$1 million.

* NC72(A)-1, "General Statistics for Industry Groups and Industries."

Sources used in footnotes:

(A) Survey of the Origin of Exports of Manufacturing Establishments in 1972, Current Industrial Reports, U.S. Department of Commerce, Bureau of the Census, Series: MA-161(72)-2; issued November 1974, Tables 1, 2, 5, and 6.

(B) 1972 Census of Manufactures: Preliminary Reports, for Nebraska - MC72(P)-S28, Montana - MC72(P)-S27, South Dakota - MC72(P)-S42, North Dakota - MC72(P)-S35, Wyoming MC72(P)-S51, U.S. Department of Commerce, Bureau of the Census, Area Series.

Table 2 shows the disproportionate strength of Nebraska and, to a lesser extent, Montana, in total manufacturing in the region. Nebraska accounts for 63 percent of Old West Region manufactures, and Montana accounts for a further 17 percent. Thus, two of the five states produce 80 percent of all manufactured products in the region. Wyoming, on the other hand, produces less than 5 percent of the value of shipments of manufacturers from the region, with North Dakota only marginally higher at a little over 6 percent.

Industrial development programs of varying sizes exist in the Old West states. From Table 3 the disparity between the size of the organizations in Montana and Wyoming, as compared with that of Nebraska, is immediately apparent. Montana and Wyoming have no international programs, the Dakotas have made a small beginning, and Nebraska has undertaken more domestic and international industrial development work than the four other Old West states combined.

While the total resources allocated to international programs are meager (Nebraska allots one-half man-year to reverse investment), a nucleus of knowledge and skills exists in the region. These are an important resource and should not be overlooked.

There is no association for industrial export promotion to which all Old West states belong. Montana belongs to a Pacific Northwest Association; Montana and Wyoming belong to the Rocky Mountain States Association; however, all Old West states are included in the Department of Commerce Regional Export Council served out of Omaha; Montana and Nebraska each have their own state association of international trade.

Programs to promote industrial exports from Old West states are operated at a modest level. Some states provide meager participation in occasional foreign travel and have some activities to inform local manufacturers of foreign sales opportunities and of ways to enter the export trade. However, the programs apparently are not enthusiastically received and only a handful of industrial firms in most of the states actively pursue foreign sales.

This may be explained in part by locational disadvantages that are difficult to overcome. On the other hand, selected items manufactured to serve the large agricultural base of the region have managed to enter foreign trade based on quality and price attractions. There would appear to be further opportunities for expansion of such trade, perhaps with the aid of a regional program.

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Table 3

INDUSTRIAL DEVELOPMENT ORGANIZATIONS IN OLD WEST STATES

	Nebraska	Montana	South Dakota	North Dakota	Wyoming
Organization Structure	Economic Development Department, includes commercial development, industrial development, and tourism	Economic Development, A Division of Department of Intergovernment Relations New Office of Commerce and Trade being established in Governor's Office to coordinate all economic development activities	Industrial Development, a Division of Department of Economic Development and Tourism Industrial development includes agricultural processing	Industrial Development Department, part of the Business and Industrial Development Department Industrial development includes community development, research and public information	Industrial Development, a Division of Department of Economic Planning and Development
Personnel	10 Industrial Development 8 Commercial Development 9 Research 6 Field Representatives	3 (professional only)	6 (professional only)	6 (professional only)	3 (professional only)
Program	Domestic and international activities International includes export promotion and reverse investment (one-fourth man-year) Research staff for studies Directory of manufactures	Domestic contact with companies Mail campaigns Inquiry follow-up No international program Economic studies Directory of manufactures	Domestic promotion campaigns Inquiry follow-up Reverse investment and export promotion International Trade Directory	Inquiry follow-up Participated in missions to Dusseldorf, Tokyo, Regina/Winnipeg, and Toronto for reverse investment Participated in USDC seminar program	Feasibility studies Assistance to local industries to foster growth Inquiry follow-up No international program Directory of Manufacturing and Mining

Attracting investment and identifying market opportunities are part and parcel of the same industrial development plan and program. Foreign market opportunities are a class of markets normally not developed first or separate from local, regional, or national markets.

Current state programs to attract foreign investment to the Old West states are minimal in most of the states. This is a reflection both of the relatively small existing industrial base, selective regional markets and location disadvantages, and of the relatively modest programs by the states to attract domestic investment. Most efforts to attract industrial investment have centered in Canada, nearby midwest centers, and to a lesser extent in East Coast firms.

Agricultural Base

Despite its reputation as an agricultural region, a comparison of totals in Table 4 and Table 2 reveals that the value of agricultural production is approximately two-thirds of the value of shipments of manufactures. However, if value added is used as the comparative measure, the agricultural sector is predominant. Also, the bulk of manufacturing consists of processing agricultural products so that agriculture pervades the economic thinking of the region. This is apparent from Table 5. Beef production (cattle and calves) accounts for 40 percent of the value of all agricultural commodities. Corn, wheat, hogs, hay, dairy products, barley, sorghum, oats, and soybeans, follow in that order.

In agriculture, the predominant state is Nebraska followed by South Dakota, North Dakota, and Montana, with Wyoming accounting for about 5 percent of the regional total.

Historically, the crops and livestock produced by the region have been slow-growth commodities; that is, they are commodities whose growth rate has been lower than the national average growth rate of all commodities.

Agriculture departments exist in each of the Old West states. A selected profile is contained in Table 6. Their market development activities are an important resource that should be utilized fully in any international trade development program sponsored by the Commission. These departments work closely with the various product/producer associations and regional councils to promote sales of their respective products.

Table 4

VALUE OF PRODUCTION OF CROPS AND LIVESTOCK BY STATE AND FOR THE UNITED STATES; AND U.S. EXPORTS BY COMMODITY: 1972
(Millions of U.S. Dollars)

	* Montana		* Nebraska		* South Dakota		* North Dakota		* Wyoming		O.W. Commodity Production Totals		U.S.† Commodity Production Totals		U.S.‡ Commodity Export Totals		O.W. Commodity Production as a Percent of U.S. Total (percent)		U.S. Commodity Exports as a Percent of Total U.S. Production (percent)		Value\$
Crops																					
Barley	\$ 70	\$ 1	\$ 93	\$ 18	\$ 8	\$ 190	\$ 463	\$ 58	41.0%	12.5%	\$ 24										
Corn	**	688	12	168	3	871	7,163	1,241	12.2	17.3	151										
Hay	142	176	91	60	58	527	3,750	9	14.0	0.2	1										
Oats	8	14	59	61	2	144	471	14	30.5	2.9	4										
Potatoes	5	2	21	1	3	32	751	12	4.3	1.6	**										
Rye	**	**	4	8	**	12	28	**	42.8	0.1	**										
All wheat	163	148	369	85	12	777	2,579	1,369	30.0	53.1	413										
Sugar beets	14	27	16	--	18	75	456	--	16.4	0	0										
Flaxseed	**	**	21	13	--	34	39	32	87.2	82.0	28										
Soybeans	--	84	13	25	--	122	4,477	1,508	2.7	33.7	41										
Sorghum	--	159	--	16	--	175	1,035	131	16.9	12.7	22										
Crop: Value of Production, Total	\$402	\$1,299	\$ 699	\$ 455	\$104	\$2,959	\$21,212	\$4,374	13.9%	20.6%	\$610										
Livestock																					
Sheep and lambs	\$ 10	\$ 6	\$ 5	\$ 20	\$ 17	\$ 58	\$ 270	\$ 2	21.5%	0.7%	**										
Wool	3	**	1	4	5	13	55	27	23.6	49.1	6										
Cattle and calves	424	951	306	598	206	2,485	14,221	44	17.5	0.3	7										
Dairy (milk and cream) products	17	82	42	77	8	226	7,156	98	3.2	1.4	3										
Hogs	21	320	29	175	3	548	5,412	2	10.1	0	0										
Livestock: Value of Production, Total	\$475	\$1,359	\$ 383	\$ 874	\$239	\$3,330	\$27,114	\$ 173	12.3%	0.6%	\$ 20										
Total Agricultural Production	\$877	\$2,658	\$1,082	\$1,329	\$343	\$6,289	\$48,326	\$4,547	13.0%	9.4%	\$591										

Footnotes and Sources on following page.

Table 4 (Concluded)

* Quantities of the crop commodities produced and their prices per unit of production were obtained from Source A. Figures presented in the table were obtained by multiplying quantities produced by the respective price for a particular commodity. Value of production for livestock and livestock products was read directly from tables in Source A.

+ Figures from Source A.

+ Figures from Source B except for sorghum, which came from Source A.

~ What part the Old West Region should have of the export market if it operates its export trade at the present U.S. National Level.

** Less than \$1.0 million.

Sources used in Footnotes:

- (A) Agricultural Statistics 1973, United States Department of Agriculture.
- (B) Exports: Commodity Groupings by World Area, Annual 1972, FT 450-72, U.S. Foreign Trade, U.S. Department of Commerce, Schedule B Groupings (World Area and Country--Method of Transportation) Bureau of the Census.

Table 5

RELATIVE IMPORTANCE OF MANUFACTURING, AGRICULTURE,
AND TOURISM IN THE OLD WEST STATES: 1972 (UNLESS NOTED)
(Millions of U.S. Dollars)

	Manufacturing (value added)*	Agricultural Production†		Out-of-State Tourist Expenditures
		Crops	Livestock	
Montana	\$ 458	\$ 402	\$ 475	\$210‡
Wyoming	148	104	239	175‡
Nebraska	1,738	1,299	1,359	234§
South Dakota	273	455	874	250‡
North Dakota	<u>208</u>	<u>699</u>	<u>383</u>	<u>46‡</u>
Old West Total	\$2,825	\$2,959	\$3,330	\$915

* Statistical Abstract of the United States 1974
Value added for manufacturing - p. 731. Value added has been used as the measure for manufacturing rather than gross value of shipments in order to obtain a better estimate of the economic benefit to the region.

† Agricultural Statistics 1973.

‡ 1974 World Almanac.

§ From the Nebraska Department of the Economic Director, Division of Tourism. 1974 figure.

Table 6

AGRICULTURE DEPARTMENTS IN OLD WEST STATES

	Nebraska	Montana	South Dakota	North Dakota	Wyoming
Organization Structure	Includes Divisions of Plant Industry, Animal Industry, Dairies and Foods, Weights and Measures, Marketing Laboratory, Rural Development, Wheat, Potato Development.	Includes a marketing organization, established 1969 with one position. Today Director of Marketing has 1 marketing person and 3 transportation people reporting to him.	Includes Divisions of Livestock Sanitation, Plant Industries, Conservation, and Agricultural Development and Promotion (reorganized a year ago). One professional assigned one-fourth part-time to international. Proposed full-time position in 1977.	Small department. Basically, 20 inspectors, 1 newly hired marketing person. Now developing and proposing domestic and international marketing plans.	Includes Divisions of Resource Planning, and Development, Markets, Real Estate, Plant Industry, Food and Drug, Laboratory and State Fair. Division of Markets responsible for market development, market promotion and regulation. One professional assigned to international, on one-fourth time basis.
Personnel	112	5 (marketing and transportation)	153	23	96
Market Development Activities	Market Development in United States and international. Belongs to number of Associations and Councils. Agriculture marketing research and education scholarships.	Assist in development of markets for agricultural products. Belongs to number of Associations and Councils.	No memberships as such but work closely with Associations and Councils and MIATCO.* Few marketing services. At present have a Grain News Service and have plans for Livestock News Service.	Belongs to number of Associations and Councils, including MIATCO. Developing marketing program.	Assist in development of markets for agricultural products domestically and internationally. Belongs to number of Associations and Councils, including MIATCO. Distribute FAS leads to interested parties.

* Midwest International Agricultural Trade Council.

Tourism

From Table 5, it is readily apparent that out-of-state tourists contribute significantly to the Old West Region's economy. Expenditures of over \$900 million annually by visitors to the region rank tourism as larger than all manufactures other than meat products, and larger than any single crop or livestock production, other than cattle and calves, in all states, except for corn in Nebraska.

Tourist earnings are reasonably evenly distributed throughout the five states, with the exception of North Dakota. This state receives only 5 percent of all out-of-state tourist money spent in the region.

As Table 7 shows, travel to the United States has shown a strong, long-term upward trend from the early 1960s. With the realignment of international currency exchange rates in the recent past, and increasing affluence in Europe, Japan, and elsewhere, this trend should continue through the seventies. It should be noted that Canadian tourists entering the United States by car do not appear in the main part of Table 7.

Situated between the major ports of entry of Chicago to the east, and Seattle and San Francisco to the west, and with Canada as a neighbor to the north, the Old West Region is in a good geographic position to take advantage of this trend. Table 7 also shows that about 10 million Canadian visitors come to the United States each year.

Table 8 shows visitors to the United States by the 10 main countries of embarkation (excluding Canada). It should be noted that these 10 countries combined account for approximately 60 percent of visitors to the United States, excluding Canadians. Canadians, however, are three times as numerous as all visitors from these top 10 countries.

From a resource/attraction viewpoint, it would appear that the Old West Region, and in particular Montana and Wyoming, have a reasonably strong base on which to build a year-round tourism industry. The area has world-renowned national parks and scenery, dude ranches, rodeos, fishing, and sightseeing that can be enjoyed in summer. Jackson Hole and Big Sky are illustrative of the tourist resources in winter.

An important tourism resource exists in the various state tourism agencies and their staffs. Discussions took place between the project team and state tourism personnel in four of the five Old West states, and the project team was impressed by the professional competence of the personnel. A brief description of the states' tourism organizations forms Table 9.

Table 7

TRAVEL TO THE UNITED STATES FROM OTHER COUNTRIES* BY SEA AND AIR

Country of Embarkation	Visitors to the United States			Percent Change	
	1960	1972	1973	1960-1973	1972-1973
Europe	543,826	2,068,319	2,172,882	+299.6%	+5.1%
Belgium	13,313	42,477	61,081	+358.8	+43.8
Denmark	29,800	99,560	89,303	+199.7	-10.3
France	76,298	243,169	253,679	+219.9	+4.3
Germany	71,126	295,348	308,557	+333.8	+4.5
Greece	6,354	47,220	51,538	+711.1	+9.1
Ireland	18,244	60,308	59,470	+226.0	-1.4
Italy	46,645	181,477	173,149	+271.2	-4.6
Netherlands	55,969	136,539	133,756	+139.0	-2.0
Portugal	11,688	56,890	56,853	+386.4	-0.1
Spain	18,407	94,334	108,779	+491.0	+15.3
Switzerland	12,394	67,776	77,000	+521.3	+13.6
United Kingdom	160,530	632,282	674,375	+320.1	+6.7
Other	23,058	110,939	125,342	+443.6	+13.0
Asia	92,936	850,278	970,275	+944.0	+14.1
Hong Kong	4,526	41,185	41,523	+817.4	+0.8
Israel	7,813	24,098	27,811	+256.0	+15.4
Japan	60,741	646,611	763,233	+1,156.5	+18.0
Philippines	11,587	53,467	46,833	+304.2	-12.4
Other	8,269	84,917	90,875	+999.0	+7.0
Africa	3,197	15,963	16,998	+431.7	+6.3
Oceania	35,909	185,796	234,929	+554.2	+26.4
Australia	21,767	71,400	82,012	+276.8	+14.9
Pacific Islands	2,592	39,561	49,034	+1,791.7	+23.9
Other	11,550	74,835	103,883	+799.4	+38.8
North and Central America	470,229	1,599,743	1,826,367	+288.4	+14.2
Canada	10,334	192,338	309,783	+2,897.7	+61.1
Mexico	89,425	432,228	510,683	+471.1	+18.2
Bahamas	39,267	200,801	189,619	+382.9	-5.6
Bermuda	16,154	44,043	43,455	+169.0	-1.3
Dominican Republic	12,062	147,812	167,358	+1,287.5	+13.2
Jamaica	43,200*	154,864	160,011	+270.4	+3.3
Netherlands Antilles	15,555	43,855	42,333	+172.2	-3.5
Czechoslovakia and Panama	15,404	51,006	49,851	+223.6	-2.3
Guatemala	11,269	49,762	61,736	+447.8	+24.1
Other	217,559	283,034	291,538	+34.0	+3.0
South America	136,674	389,977	429,333	+209.6	+10.1
Argentina	18,643	36,859	42,672	+128.9	+15.8
Brazil	18,301	64,231	87,780	+379.6	+36.7
Colombia	27,236	98,143	99,608	+265.7	+1.5
Peru	12,068	43,146	48,945	+305.6	+13.4
Venezuela	47,554	88,599	93,178	+95.9	+5.2
Other	14,872	58,999	57,150	+284.3	-3.1
Cruise	13,555	83,037	99,339	+632.9	+19.6
Total	1,298,326	5,193,113	5,750,123	342.9%	+10.7%

Note, Footnotes, and Source on following page.

Table 7 (Concluded)

Note: Canada/United States Travel

<u>Year</u>	<u>Canadian Residents to the United States</u>	<u>United States Residents to Canada</u>
1960	4,775,000	8,665,000
1972	8,646,000	13,864,000
1973	9,928,000	14,292,000

Of the U.S. and Canadian citizens visiting each others' countries (by air, sea, car, or bus) only 14.3 million U.S. residents and 9.9 million Canadian residents corresponded to the U.S. definition of a traveler: one whose visit lasts at least 24 hours.

*

	<u>1960</u>	<u>1972</u>	<u>1973</u>
Includes			
Temporary visitors for business	114,803	386,878	500,426
Temporary visitors for pleasure	721,683	3,534,998	4,344,095
Transit Aliens	113,397	227,604	198,217
Students	35,230	89,321	103,702
Other	313,213	954,312	603,683
Total	1,298,326	5,193,113	5,750,123

† Estimated

Sources: U.S. Department of Justice, Immigration, and Naturalization Service
U.S. Travel Service

Table 8

VISITORS TO THE UNITED STATES FROM TOP 10 COUNTRIES*

Country of Embarkation	1960	Percent of Total	1971	Percent of Total	1972	Percent of Total	1973	Percent of Total
United Kingdom	160,530	12.5%	543,925	12.8%	632,282	12.4%	674,375	11.9%
Mexico	89,425	7.0	373,872	8.8	432,228	8.4	510,683	9.0
Japan	60,741	4.7	459,897	10.8	646,611	12.7	763,233	13.5
Germany	71,126	5.5	230,045	5.4	295,348	5.8	308,557	5.5
France	76,298	5.9	190,868	4.5	243,169	4.8	253,679	4.5
Bahamas	39,267	3.1	183,599	4.3	200,801	3.9	189,619	3.4
Italy	46,645	3.6	148,957	3.5	181,477	3.5	173,149	3.0
Jamaica	43,200 [†]	3.4	137,447	3.2	154,864	3.0	160,011	2.8
Dominican Republic	12,062	0.9	135,307	3.2	147,812	2.9	167,358	3.0
Netherlands	55,969	4.4	117,582	2.8	136,539	2.7	133,756	2.4
Total Top Ten	655,263	51.0%	2,521,499	59.3%	3,071,131	60.1%	3,334,420	59.0%
U.S. Total [‡]	1,284,771	100.0%	4,255,238	100.0%	5,110,076	100.0%	5,650,784	100.0%

* Does not include Canada. See accompanying table.

[†] Estimated.

[‡] Excludes cruise travel.

Source: U.S. Department of Justice, Immigration and Naturalization Service.

Table 9

TOURISM DEPARTMENTS IN OLD WEST STATES

	Nebraska	Montana	South Dakota	North Dakota	Wyoming
Organi- zation	Tourism is located within the Economic Development Department	Tourism Division, Department of Highways	Tourism Division is a part of the Department of Economic Development and Tourism	Tourism Division part of State Highway Department	Autonomous Department
Budget	\$350,000 annually	\$650,000 annually for next biennium	74/75 \$881,053 annual 75/76 \$916,900	\$900,000 73/75 \$1,132,400 75/77 biennium	\$447,500 annually for 1975-76 biennium
Staff	6	10	14 full-time 50 summer	3 professional 5 secretarial, other	4
Program	Impulse market-vacation guides, tour books, maps, events, TV and radio spots	National advertising with coupon follow-up Promotional film production and distribution Motion picture location development and assistance Convention promotion Group package tours Maps and brochures	Weekly news-letter + local, regional, and national distribution dependent on events Promotional literature supplied to convention centers, tourist offices Contract for promotional films Promotion of Canadian travel with U.S. Travel Service matching funds PR and general promotion Maps and brochures	Regional and National advertising with emphasis on Winnipeg-Chicago areas (70 percent of visitors) Promotional film production and distribution Convention promotion Work with SBA and EDA to promote recreational development Promote creation of historical sites and parks Promotion of travel from Canada with U.S. Travel Service matching funds Maps and brochures	National advertising with coupon follow-up Photography Promotional literature PR and general promotion

Population and Employment

International industrial development programs, be they designed to expand export sales or to attract reverse foreign investment, require the presence of one or more factors if they are to be successful. An existing manufacturing base, abundant natural resources, and proximity to markets are three such factors.

Table 10 clearly illustrates that the Old West Region, which accounts for 13 percent of the land area of the United States, contains less than 2 percent of the total population. The average annual growth rate of the population for the region for the past 25 years has been one-fourth that of the national rate.

Table 11 points to the rural character of the region's population. This is further illustrated in Table 12, which shows that there are only 15 cities with populations exceeding 25,000 and of these, only two have populations in excess of 100,000. Significantly, both of these cities are located in Nebraska.

In 1970, only slightly more than 25 percent of the Old West Region's population resided in Standard Metropolitan Statistical Areas. This, from a marketing perspective, compares quite favorably with a national figure of 67 percent metropolitan. All this hardly adds up to the existence of large markets for consumer goods to support local industry from which exports can be readily developed; nor does it add up to a large consumer goods market to which overseas manufacturers will be easily enticed.

The employment base in the Old West states is small. Note, in Table 13, that between 1959 and 1969, the Old West area as a whole gained an additional 211,200 civilian nonagricultural wage and salary employees. Nebraska gained about half these. Montana and the Dakotas each gained about 30,000. Wyoming gained only 14,000--the smallest increase of any of the five states. While these data exclude self-employed, domestic workers, unpaid family workers such as are found in many small retail businesses, and military personnel, they are useful in gauging the relative magnitude of change in commercial/industrial/manufacturing employment. While Nebraska, in the decade of the 1960s, exceeded the national average percentage increase in manufacturing employment, and North Dakota held to the national average percentage rate of change, Montana and Wyoming increased at less than half the national rate in industrial employment. Employment in service industries and government increased at a rate of about two-thirds the national average.

Table 10

DISTRIBUTION AND GROWTH RATES OF POPULATION BY STATE, 1920-1974,
UNITED STATES AND FIVE-STATE STUDY AREA

	1920	1930	1940	1950	1960	1970	1974*	Percent of U.S. Population	1920-1974 Average Annual Growth Rate (percent)
United States	105,710,620	123,202,624	132,164,569	151,325,798	179,323,175	203,184,771	211,390,000	100.00%	1.3 %
Montana	548,889	537,606	559,456	591,024	674,767	694,409	735,000	0.34%	4.9 %
Nebraska	1,296,372	1,377,963	1,315,834	1,325,510	1,411,330	1,483,791	1,543,000 [†]	0.72	0.3
North Dakota	646,782	680,845	641,935	619,636	632,446	617,761	637,000	0.30	-0.03
South Dakota	636,547	692,849	642,961	652,740	680,514	665,507	682,000	0.32	0.1
Wyoming	194,402	225,565	250,742	290,529	330,066	332,416	359,000	0.17	1.1
Total	3,323,082	3,514,828	3,410,928	3,479,439	3,729,123	3,793,884	3,956,000	1.85%	0.3 %

* Population Estimates and Projections, Current Population Reports, October 1974, Department of Commerce, Bureau of the Census, p. 25, No. 533.

[†] 1973 Actual population 1,542,000. 1974-1975 Nebraska Statistical Handbook, Nebraska Department of Economic Development.

Source: U.S. Department of Commerce, Bureau of the Census

Table 11

PERCENT DISTRIBUTION OF POPULATION BY TYPE,
1950-1970, UNITED STATES AND FIVE-STATE STUDY AREA
(NEW URBAN DEFINITION)

	<u>1950</u>	<u>1960</u>	<u>1970</u>
United States			
Urban	64.0%	69.9%	73.5%
Rural	36.0	30.1	26.5
Montana			
Urban	43.7	50.2	53.4
Rural	56.3	49.8	46.6
Nebraska			
Urban	46.9	54.3	61.5
Rural	53.1	45.7	38.5
North Dakota			
Urban	26.6	35.2	44.3
Rural	73.4	64.8	55.7
South Dakota			
Urban	33.2	39.3	44.6
Rural	66.8	60.7	55.4
Wyoming			
Urban	49.8	56.8	60.5
Rural	50.2	43.2	39.5
Total			
Urban	40.4%	47.8%	54.2%
Rural	59.6%	52.2%	45.8%

Source: U.S. Department of Commerce, Bureau of the
Census

Table 12

DISTRIBUTION OF NUMBER OF PLACES AND POPULATION BY SIZE OF INCORPORATED PLACE
AND/OR UNINCORPORATED PLACE OF 1,000 OR MORE, 1970,
FIVE-STATE STUDY AREA

Size Class	Montana			Nebraska			North Dakota			South Dakota			Wyoming			Five-State Total		
	Num-ber	Popu-lation	Per-cent	Num-ber	Popu-lation	Per-cent	Num-ber	Popu-lation	Per-cent	Num-ber	Popu-lation	Per-cent	Num-ber	Popu-lation	Per-cent	Num-ber	Popu-lation	Per-cent
100,000 or more	0	0	0	2	496,846	33.5%	0	0	0	0	0	0	0	0	0	2	496,846	13.1%
50,000 to 100,000	2	121,672	17.5%	0	0	0	1	53,365	8.6%	1	72,488	10.9%	0	0	0	4	247,525	6.5
25,000 to 50,000	1	29,497	4.3	1	31,269	2.1	3	106,001	17.2	2	70,312	10.6	2	80,275	24.2%	9	317,354	8.4
10,000 to 25,000	5	85,852	12.4	9	163,593	11.0	6	72,714	11.8	5	66,748	10.0	3	45,656	13.7	28	434,563	11.5
5,000 to 10,000	9	66,578	9.6	19	126,923	8.1	5	33,104	5.0	5	36,367	5.5	6	40,385	12.2	44	303,357	7.8
2,500 to 5,000	15	55,021	7.9	18	65,592	4.4	3	8,203	1.3	13	47,195	7.1	9	34,795	10.5	58	210,806	5.6
1,000 to 2,500	35	53,685	7.7	75	107,724	7.1	44	65,434	10.6	35	53,156	8.0	16	26,370	7.9	204	306,369	8.0
Under 1,000	68	31,347	4.5	413	128,215	8.7	298	75,235	12.3	251	79,420	11.9	58	19,042	5.7	1,046	333,759	8.8
Other	--	250,757	36.1	--	363,629	25.1	--	203,205	33.2	--	239,821	36.0	--	85,893	25.8	--	1,143,305	30.4
Total	--	694,409	100.0%	--	1,483,791	100.0%	--	617,761	100.0%	--	665,507	100.0%	--	332,416	100.0%	--	3,793,884	100.0%

Source: U.S. Department of Commerce, Bureau of the Census

Table 13

CHANGE IN CIVILIAN NONAGRICULTURAL WAGE AND SALARY
EMPLOYMENT BY STATE, 1959-1969, UNITED STATES AND
FIVE-STATE STUDY AREA

	<u>Absolute Change</u>	<u>Percent Change</u>
United States	16,961,000	31.8%
Mining and Manufacturing	3,381,000	19.4
Other	13,580,000	37.8
Montana	31,500	19.1
Mining and Manufacturing	2,400	8.7
Other	29,100	21.2
Nebraska	102,000	27.6
Mining and Manufacturing	21,200	31.9
Other	80,800	26.7
North Dakota	30,700	24.0
Mining and Manufacturing	28,900	19.8
Other	1,800	24.4
South Dakota	32,900	23.8
Mining and Manufacturing	2,200	13.8
Other	30,700	25.2
Wyoming	14,100	15.2
Mining and Manufacturing	1,500	8.7
Other	12,600	16.7
Total	211,200	23.7%
Mining and Manufac-		
turing	29,100	21.3%
Other	182,100	24.1%

Source: U.S. Department of Labor, Bureau of Labor Statistics

This slow increase in the numbers employed, coupled with the high ratio of total employment to the working-age population in each of the Old West states, as shown in Table 14, support the hypothesis that out-migration of persons of prime working age has taken place. No evidence in the data available for the 1970s exists to indicate that the trend to out-migration has been reversed.

Table 14

RATIO OF TOTAL EMPLOYMENT TO POPULATION AGED
20 TO 64, 1970, UNITED STATES AND FIVE-STATE
STUDY AREA

<u>Employment/Working-Age Population</u>	
United States	74.1
Montana	75.8
Nebraska	88.5
North Dakota	80.4
South Dakota	83.8
Wyoming	80.2

Sources: U.S. Department of Labor, Bureau of Labor
Statistics
U.S. Department of Commerce, Bureau of the
Census

This is not a factor likely to persuade a foreign company seeking to locate in the United States that the Old West states will be able to provide him with a large pool of labor from which to draw. Unemployment in Nebraska and South Dakota has been lower than the national average throughout the past decade. This is considered likely to result from the industrial growth that has occurred, coupled with out-migration. Montana's record has not been so good, with unemployment rates consistently above the national average, as seen in Table 15.

Table 15

UNEMPLOYMENT RATES 1965-1969 AND 1975 IN THE
UNITED STATES AND THE OLD WEST REGION
(Percent of Civilian Labor Force)

	Average Unemployment Rate <u>1965-1969</u>	Unemployment Rate <u>April 1975</u>
United States	3.8%	9.1%
Montana	5.5	9.6*
Nebraska	2.8	5.7
North Dakota	4.8	6.8
South Dakota	3.2	5.9
Wyoming	4.9	5.1

* March 1975.

Source: U.S. Department of Labor, Bureau of
Labor Statistics

Conclusions

- The Old West Region, with the possible exception of Nebraska, must be regarded as an area with limited manufacturing resources, excluding minerals and agriculture, on which a major international trade development program can be based.
- If local industries have no great strength in national markets, it is difficult to develop strength through exports. If lack of large markets in the region and lack of large work forces have deterred U.S. companies for the most part from establishing plants in the region, it will be difficult to attract large investments by foreigners.
- Tourism is a resource offering considerable potential. Natural scenic wonders, the allure and appeal of "the West" to many, especially Europeans and Japanese, and the relative strength of the states' tourism organizations, all combine to make this appear to be an area of some promise.

- Agriculture, likewise, is strong and many products, such as wheat, are well represented by associations with considerable expertise in international marketing.
- Present programs operated by the states to promote exports and to attract reverse investment are appropriately modest, reflecting both attitudes of state governments and local industry and a negative assessment of potential pay-off.
- There would appear to be some efficiencies possible through a regional program to attract domestic and foreign investment in selected industrial sectors and product groups to identifiable manufacturing centers within the region. But the industrial investment program probably should be designed first to attract Canadian and U.S. firms, and second to attract foreign investment. The latter without the former seems the wrong way round. A regional industrial investment (development) program could include:
 - Regional industrial resource inventory--labor supply, raw materials, and transportation
 - Regional market assessments
 - Regional social and environmental appraisal
 - Regional industrial advertising.
- Beyond an information base, Old West industrial investment development staff can supplement efforts by states in contacting a series of potential investors from Canada, the United States, and, if appropriate, from abroad. These contacts can be most usefully made after a careful analysis of the region's industrial advantages, and design of a targeted marketing program. Follow-up beyond initial leads and contacts would remain the responsibility of state and local communities.
- There may be opportunities for a regionally sponsored and managed program of promoting investment, sales, and exports of manufactured agriculture and livestock products. However, studies are required of costs and markets, both domestic and foreign. There appears to be a good base and strong interest both in the states and elsewhere in the United States and abroad for development of this industry, which is natural to the Old West Region. As important producers of food, feed, and livestock, there are opportunities to capitalize on location, terrain, climate, and experience to sell products and integrated processes abroad and perhaps to attract processing industries in the area.

IV FOREIGN TRADE

Manufactured Goods

Estimates of exports of manufactured goods from Old West states are shown in Table 16 by product group. The data have been taken from a Department of Commerce survey and are therefore subject to the usual sampling error. In addition, reported values of exports were considerably lower than were finally estimated by extrapolation. The estimated figures are shown in the total. It should also be noted that the "all other" category includes exports that should have been included in one of the more specific classifications, but for the small number of firms in the classification and the need to preserve confidentiality of company data.

Clearly, Nebraska predominates among the states in the export of manufactured goods, as it does in the production of manufactured goods (see Chapter III). The bulk of its manufactured exports in food and kindred products is reported to be in offal, hides, and skins, rather than in processed foods, and is manufactured by plants of major U.S. firms. In North and South Dakota, food and kindred exports are presumably meat and dairy products (butter).

The machinery exports are reported to be principally in agricultural related machinery; for example, tractors (Stieger Tractors, North Dakota), irrigation machinery, materials handling equipment (Melrose Division, Clark Equipment Corporation, North Dakota), and other farm equipment. Plants include both local firms and branches of major national firms. But the number of firms with exports accounting for over 10 percent of sales is relatively small in each state--probably from 35 to 50.

Table 17 shows the ratio of exports to production by product group for the Old West states compared to the United States. In all cases except miscellaneous manufactures, the Old West reportedly exports a smaller share of production than does the United States as a whole. This may be explained in part by locational (noncoastal) factors. But it suggests there may be opportunities for entering the export market more fully in those product groups where Old West exports are either nonexistent at present, or those product groups in which the ratio of exports to production in the Old West is significantly below the ratio for those product groups for the United States as a whole. These include: lumber, wood, paper and printing products; petroleum, coal, stone, clay, glass, and

Table 16

ESTIMATED OLD WEST EXPORTS OF MANUFACTURED GOODS: 1972
(Millions of U.S. Dollars)

	<u>Nebraska</u>	<u>Montana</u>	<u>South Dakota</u>	<u>North Dakota</u>	<u>Wyoming</u>	<u>Total</u>
Food and kindred	\$ 61	\$--	\$ 7	\$ 7	\$--	\$ 75
Chemicals and allied	7	--	--	--	--	7
Fabricated metals	6	--	--	--	--	6
Machinery, except electrical	33	--	3	7	--	43
Electrical equipment	8	--	--	--	--	8
Transportation equipment	8	--	--	--	--	8
Instruments	7	--	--	--	--	7
All other	<u>16</u>	<u>15</u>	<u>7</u>	<u>2</u>	<u>3</u>	<u>43</u>
Total	\$146	\$15	\$17	\$16	\$ 3	\$197

Source: Origin of Exports of Manufacturing Establishments, 1972, U.S. Department of Commerce

Table 17

RATIO OF EXPORTS TO PRODUCTION OF OLD WEST MANUFACTURES
IN THE UNITED STATES AND THE OLD WEST: 1972

	Old West (percent)	United States (percent)	Value of Old West Exports (millions of U.S. dollars)
Food and kindred products	1.5%	2.7%	\$ 75
Lumber and wood	--	4.2	--
Paper and printing	--	2.3	--
Chemicals and allied	3.8*	6.5	7
Petroleum and coal products	0.1	1.4	< 1*
Stone and glass products	0.2	2.0	< 1
Prime metals	0.2	2.5	< 1
Fabricated metals	2.5	3.1	6
Machinery	9.0*	12.4	43
Electrical equipment	3.0*	6.2	8
Transportation equipment	5.8	8.1	8
Instruments	7.5*	11.1	7
All other miscellaneous manu- factured goods	11.4	6.6	<u>40</u>
Total	2.1%	4.9%	\$197

* Estimated.

Source: Origin of Exports of Manufacturing Establishments, 1972, U.S.
Department of Commerce

primary metals products. In addition, it points to areas where the Old West is already a major factor in U.S. exports--food, chemicals, machinery and equipment, fabricated metals, instruments--and may benefit from additional promotional efforts.

Information on the foreign markets for Old West manufactured products is not readily available. Table 18 shows the distribution of U.S. exports by foreign market area for the class of goods exported from the Old West.

Table 18

DISTRIBUTION OF U.S. EXPORTS OF MANUFACTURED GOODS BY MAJOR MARKET AREAS
FOR GOODS NOW BEING PRODUCED AND EXPORTED FROM THE OLD WEST REGION: 1972
(Millions of U.S. Dollars)

SIC Code*	Export Commodity†	Destination							Total All Areas	Representative SITC Numbers‡
		Canada	20 Latin American Republics	Other Western Hemisphere	Western Europe	Japan	Other Asia	Australia and Oceania		
201	Meat products‡	\$ 56	\$ 8	\$ 33	\$ 104	\$ 34	\$ 12	\$ 12	\$ **	SIC. 204:046.0, 047.0, 048.1,
204	Grain mill and cereal products‡	18	81	22	57	149	172	2	23	081.1, 081.9, 048.2, 048.8
28	Chemicals and allied products§	693	908	27	1,434	312	428	128	108	
29	Petroleum and coal products‡	69	79	8	149	50	44	16	23	SIC. 29:321.8, 321.9, 332.5, 332.6, 332.9
32	Stone clay and glass products‡	7	1	1	1	--	--	--	--	SIC. 32:273.2 661.2
33	Primary metal industries§	446	220	22	389	67	167	15	34	
34	Fabricated metal products‡	208	96	18	148	15	80	14	24	SIC. 34:692.2, 695.2, 696.0, 691.1, 674.4, 673.4, 694.2, 678.5
344	Fabricated structural									
35	Machinery, except electrical (other) ‡	448	339	30	531	83	192	44	99	SIC. 35:719.2, 715.1, 715.2, 718.3, 719.3
352	Farm machinery	325	175	8	94	19	54	21	53	SIC. 352:712.1, 712.2, 713.3, 712.5, 712.9
36	Electrical equipment and sup- plies‡	425	364	26	836	175	405	43	43	SIC. 36:724.9, 729.3, 724.1, 724.2, 729.5, 722.2
37	Transportation equipment‡	3,535	702	45	977	331	489	110	226	SIC. 37:732.0, 732.8, 733.3, 734.1, 732.9
38	Instruments and related prod- ucts§	224	127	10	385	78	74	27	36	
39	Miscellaneous manufacturing††§	516	317	74	742	269	145	73	57	
	Destination area total	\$6,970	\$3,422	\$374	\$5,847	\$1,592	\$2,262	\$495	\$716	\$21,780
	Destination area total as a percent of all areas exports total	32%	15.7%	1.7%	26.8%	7.3%	10.4%	2.3%	3.3%	100%

Footnotes and sources, see next page.

Table 18 (Concluded)

* Exports for the United States are listed according to the Standard International Trade Classification (SITC). In assembling Table 3, an attempt was made to bridge the gap between the SIC codes used in Table 2 and the SITC codes used in this table. The SITC numbers grouped into each SIC code are the ones most likely to be included, as determined by the worded description for each SITC number. This was simply an effort to approximate a bridge between the two classifications. This should give a very accurate indication of where the goods described are going.

† Commodities were selected and defined by using Table 6 of Source A; and Table 1-B for the respective states of Source D.

‡ Figures and SITC numbers from Source B.

§ From Table E-6 Source C.

** Less than \$1.0 million.

†† Figures obtained by subtracting SIC code 38 figures from Miscellaneous Manufactured Articles on page 58-49, Table E-6 of Source C.

Sources Used in Footnotes:

- (A) Survey of the Origin of Exports of Manufacturing Establishments in 1972, Current Industrial Reports, U.S. Department of Commerce, Bureau of the Census, Series: MA-161 (72)-2; Issued November 1974, Table: 6.
- (B) Exports: Commodity Groupings by World Area, Annual 1972. FT450-72, U.S. Foreign Trade, U.S. Department of Commerce, Schedule B Groupings (World Area and Country Method of Transportation) Bureau of the Census.
- (C) Highlights of U.S. Export and Import Trade, 1972, Report FT 990, U.S. Bureau of the Census, Issued January 1973.
- (D) County Business Patterns 1973, South Dakota CBP-73-43; Nebraska CBP-73-29; North Dakota CBP-73-36; Wyoming CBP-73-52; Montana CBP-73-28.

Canada appears to be the major market, followed by Europe, Latin America, Japan, and Asia. More detailed analysis is required on a product basis to determine actual foreign markets--and potential markets for goods produced in the Old West.

For individual products, the situation varies considerably (see Table 19). Western Europe took 41 percent of U.S. exports of meat products in 1972. Japan accounted for 28 percent of all grain mill and cereal exports. Western Europe was the principal export market for chemicals and allied products, and for petroleum and coal products. One-half of Canadian imports from the United States are accounted for by transportation equipment, very little of which is produced in the Old West states.

It would appear that opportunity should exist for exports of meat products, grain mill and cereal products, petroleum and coal products, and farm machinery from the Old West Region to be increased.

From these estimates, agricultural commodities account for \$675 million of exports, compared to \$197 million of manufactured exports. Wheat is the principal product, followed by corn, other feed grains, soybeans, and flaxseed. Nebraska and North Dakota are the largest exporters followed by Montana and South Dakota; Nebraska, South Dakota, and North Dakota export several crops, while Montana exports only wheat and barley.

Exports of livestock, wool, and dairy products from the Old West account for an estimated \$20 million, using the same estimating procedure as for crops. This includes wool, cattle, calves, and dairy products, and applies to all the Old West states.

Because of the lack of direct information on the participation of Old West agricultural producers in the U.S. export trade, no conclusions can be reached similar to those read into the manufactured export data. It has been suggested that studies be conducted on opportunities for export marketing of processed foods and livestock.

Agricultural exports from the United States of commodities produced in the Old West were distributed in foreign markets in 1973, as shown in Table 20.

Table 19

DISTRIBUTION OF U.S. EXPORTS BY MAJOR MARKET AREAS FOR CROP
AND LIVESTOCK ITEMS NOW BEING PRODUCED AND EXPORTED
FROM THE OLD WEST REGION: 1972*
(Millions of U.S. Dollars)

Export Commodity	Destinations										Total Exports All Areas
	Canada	20 Latin American Republics	Other Western Hemisphere	Western Europe	Japan	Other Asia	Australia and Oceania	Africa	Communist Areas in Europe	Areas in Asia	
Crops											
Barley	\$ 9	\$ 1	\$ †	\$ 8	\$ --	\$ 3	\$ --	\$ --	\$ 36	\$ --	\$ 58
Corn	59	45	11	608	200	77	--	18	199	23	1,241
Hay	3	†	†	2	3	--	--	--	--	--	9
Oats	--	†	†	†	†	--	--	--	12	--	14
Potatoes	10	2	†	--	--	--	--	--	†	--	12
Rye	†	--	--	--	†	--	--	--	--	--	†
All wheat	43	236	12	187	162	438	--	86	170	33	1,369
Flaxseed	3	--	--	28	--	--	--	--	1	--	32
Soybeans	77	17	--	843	375	133	--	--	62	--	1,508
Sorghum†	†	20	--	14	61	32	--	4	--	--	131
Destination area: crops total	204	321	23	1,690	801	683	--	108	480	56	4,374
Destination area: crops total as a percent of all areas total exports	4.7%	7.3%	0.5%	38.6%	18.3%	15.6%	--	2.5%	10.9%	1.3%	100%
Livestock											
Sheep and lambs (live)	1	1	--	†	--	--	--	--	--	--	2
Wool	2	†	--	12	10	2	†	†	†	†	27
Cattle and calves (live)	24	14	--	2	†	1	--	†	†	--	44
Dairy (milk and cream) products	†	44	3	5	4	32	†	9	--	--	98
Hogs (live)	†	1	†	†	1	†	--	†	†	†	2
Destination area: livestock total	27	60	3	19	15	35	†	9	†	†	173
Destination area: livestock total as a percent of all areas total exports	15.6%	34.7%	1.7%	11.0%	8.7%	20.2%	1.0%	5.2%	1.0%	1.0%	100%

Footnotes and sources on next page.

Table 19 (Concluded)

* All the export figures included in this table were reported as follows in Source A: "The value reported in the export statistics is defined as the value at the U.S. port of export, based on the selling price (or cost if not sold), including inland, freight, insurance, and other charges to the U.S. port of export. The value, as defined, is equivalent to an FAS (free alongside ship) value, excluding freight insurance and any other charges or transportation costs beyond the port of export."

† Less than \$1.0 million.

‡ These figures were obtained by multiplying 1971 quantities of production with the 1972 price. They will give an accurate account of distribution. Source B, p. 54.

Sources Used in Footnotes:

- (A) Exports: Commodity Groupings by World Area, Annual 1972, FT 450-72, U.S. Foreign Trade, U.S. Department of Commerce, Schedule B Groupings (World Area and Country--Method of Transportation) Bureau of the Census.
- (B) Agricultural Statistics, 1973, U.S. Department of Agriculture, Sorghum figures only were used from this source.

Agricultural Goods

Data on exports of agricultural commodities by state of origin are not available. To determine the importance of agricultural exports by commodity for the Old West states, the project team applied the ratio of exports to production by commodity for the United States as a whole to the Old West production, as set out in Table 20.

Table 20

ESTIMATED EXPORTS OF AGRICULTURAL COMMODITIES FROM OLD WEST STATES: 1972

	Ratio of U.S. Exports to U.S. Production (percent)	Estimated Exports (millions of U.S. dollars)					
		Nebraska	Montana	South Dakota	North Dakota	Wyoming	Total
Wheat	53%	\$ 78	\$86	\$46	\$196	\$ 6	\$412
Corn	17	117	--	29	2	--	148
Barley	12	--	8	2	11	1	22
Sorghum	13	21	--	2	--	--	23
Soybeans	34	29	--	9	4	--	42
Flaxseed	82	--	--	11	17	--	28
Other	--	--	--	--	--	--	--
Total		\$245	\$94	\$99	\$230	\$ 7	\$675

Source: Value of Production was estimated from production and price statistics presented in Agricultural Statistics, 1973. Data was taken from Export: Commodity Groupings by World Area, 1972. State production value data taken from Chapter III, this report.

Japan, Asia, and Europe are the major foreign markets for Old West agricultural products. Again, as with manufactured goods, considerable variation is found between individual products. Western Europe took half of U.S. corn exports in 1972 with Japan and the Soviet bloc each taking

one-sixth of corn exported. Wheat sales were more evenly distributed, with one-third accounted for by Asia (excluding Japan), one-sixth going to Latin America, one-seventh to Western Europe, and one-eighth to the Soviet bloc.

Actual export markets for Old West agriculture commodities will undoubtedly differ to some degree from the distribution of U.S. exports. Wheat from the Dakotas tends to be shipped through Chicago for example, whereas Montana wheat is exported through the ports of Seattle and Portland. Locational factors and transportation costs must influence export patterns, as do existing relationships, such as the Western Wheat Association's ties with the Japanese market.

Agricultural export promotion includes:

- Wheat--The wheat producing states belong to either the Western Wheat Association or the Great Plains Wheat Council, each of which actively promotes sales of U.S. wheat in foreign markets. Membership in these wheat promotion associations is voluntary but is financed in part by a tax on wheat producers. The Western Wheat Association has offices in the Far East, and Great Plains has offices in Europe. Great Plains Wheat Association and other food product groups have contracted with Western Wheat Association for marketing and representation in the Far East.

While most wheat grains must be considered commodities, durum wheat, a speciality of North Dakota, has been successfully promoted for its characteristics desirable in the production of macaroni.

- Feed Grains--The second most important agricultural commodities exports after wheat are feed grains, including corn, barley, and sorghum. These collectively account for an estimated \$200 million of exports, and come principally from Nebraska and South Dakota. No special programs are directed toward promoting sale of these homogeneous commodities that enjoy a ready access to world markets through regular commercial channels.
- Livestock and Products--Livestock and products are not a major export commodity. However, cattle, calves, dairy products, and wool do provide an estimated \$20 million in exports from the Old West. The manufacture and assumed exports of these products are spread fairly broadly throughout the region. Interest has been shown in all states in export of breeder livestock. An export terminal for air shipment of livestock arrivals has been opened in Montana; air shipments

overseas have also been made from South Dakota. Suggestions have been made to develop an integrated breeder cattle, seed, feed, insecticide program, including perhaps agricultural machinery and equipment, for marketing to less developed countries, including the Middle East.

- Manufactured Agricultural Products--Manufactured agricultural products account for \$75 million, or 40 percent, of total regional manufactured exports. They compare with an estimated \$600 million in agricultural commodity exports. Nebraska accounts for 80 percent of exports of agricultural manufacture, the bulk of which is thought to be in offal, hides, and skins. Exports of manufactured agricultural goods in other states are principally hides, tallow, and dairy products. There are no major Old West state programs at present designed to develop foreign market for these products. Interest was expressed in developing a marketing and promotional program for boxed beef exports in Asia, perhaps using the Western Wheat Association as a foreign marketing arm. However, the present world market for beef is not conducive to such an effort. Interest was also expressed in attracting investment in processed specialty foods and developing additional domestic markets for selected products. (Some feasibility studies have been performed for sugar beets, beans, malt, pasta, and other items.)
- MIATCO--South Dakota and Nebraska belong to the Midwest International Agricultural Trade Council, representing 10 midwest state departments of agriculture. MIATCO works with state agriculture departments to get participants in foreign shows sponsored by USDA and FAS, and provides other services.

Conclusions

- Although present exports of manufactures are limited in value and type, it is considered that a potential for modest expansion exists. This applies particularly to meat products, grain cereal products, and to farm machinery. Considerable potential also exists for increasing exports of coal products, especially to Japan.
- Potential growth opportunities exist for exports of breeder livestock. Successful initial efforts could be followed up systematically and perhaps developed into a growing business activity.

- Major agricultural products have well-established marketing organizations operating overseas, and a regional program would probably achieve little in terms of improving penetration of export markets, except perhaps for a few specialty crops.
- Any international trade development program to promote exports of either manufactured goods or agricultural products should not be expected to produce dramatic results in a short time, such as one or two years.

V FOREIGN INVESTMENT

Introduction

At first glance, foreign investment, or reverse investment as it is frequently referred to, has considerable appeal. What could be more attractive to a state or community than to persuade a company to locate a plant in its borders? The capital investment not only adds to the tax base, it also provides jobs on a year-after-year-after-year basis. To the extent that the plant uses locally produced raw materials, it adds to the demand for these local products. If profits are ploughed back into plant expansion, then further economic benefits accrue. And all this from the first sales effort that brought the investment into the area.

However, the process is not so simple. To begin with, the company must decide to establish a plant in the United States. Then, the company has to be convinced that a location within the Old West states will provide the best site for its operations. After such overriding considerations as proximity to markets, availability of raw materials, and an adequate labor force, and other factors, such as taxation, transportation, power sources and costs, which directly affect the profitability of operations, have proved acceptable, quality of life factors must be considered.

The Old West states are not alone in desiring reverse investment. The competition from other states and regions is considerable. No reverse investment program can be expected to be successful in the short term. In fact, little in the way of visible results should be expected within a three-year period.

Experience of Others Related to the Old West

A recent study undertaken for the New England Regional Commission provides some insights into the reverse investment process of foreign firms who have established production operations in the United States.

Table 21 shows that only 13 percent of respondent firms had had no prior activity in the United States before establishing manufacturing operations; 60 percent had exported prior to investment and had their own U.S. sales branches; 18 percent had assembly plants prior to

Table 21

DEVELOPMENT PROCESS FOR FOREIGN OWNED FIRMS
MANUFACTURING IN THE UNITED STATES

	<u>Total Firms (n=55)</u>
No prior activity in the United States before establishing manufacturing operations	7
Exported prior to investment	33
Own sales branch prior to investment	34
Assembly plant prior to investment	10
Canadian investment as an initial test of the North American market	3
<hr/>	
Average annual export volume to United States before establishing manufacturing operations for 10 recently established firms	\$18,000,000
Range of export volume for 10 recently established firms	\$1,200,000-\$100,000,000
<hr/>	
Number of respondent firms with operations in countries other than the United States and the parent country	40
Number of respondent firms with no operations in third countries	15

Source: An Analysis of Foreign Investment in Selected areas of the United States, 1974, The International Center of New England, Inc.

investment; while 5 percent had Canadian investments that gave them initial experience in the North American market. The average export volume to the United States prior to establishing local operations was \$18 million.

From this it can be deduced that candidate firms for a reverse investment program have considerable knowledge of the U.S. market, and probably already have either branch sales offices or assembly operations, or both, in the United States.

The criteria in seeking a location that might be used by candidate firms for a reverse investment program are indicated in Table 22. For two out of three such companies, proximity to markets was important. The second most important reason was the availability of labor; the third, transportation facilities, with one-quarter of respondent firms expressing interest in a harbor.

The question should now be asked, What markets are in close proximity to the Old West region? The answer obviously has to include farm machinery, agricultural products, such as veterinary supplies, fertilizers, and pesticides. Labor intensive industries would have a difficult time in justifying an Old West location compared with one in the Chicago area, on the east coast, or in Los Angeles, for instance.

Companies whose businesses ideally need a harbor facility would be hard pressed to include any of the Old West states in a plant site location study.

It must be concluded that most of the limited reverse investment efforts have not focused on the limited population of corporate prospects. The same is true of industrial development efforts aimed at attracting domestic companies to invest in the area. Perhaps this lack of focus, rather than the limited budgets available, has been responsible for the meager success of the region in attracting industrial investment so far.

Foreign Investment in the Old West Region

No data are available on total investment in the states of the Old West Region. However, partial data are available on recent foreign investment in the region. It is useful to attempt to derive total manufacturing and agricultural investment in the region in order to put foreign investment in perspective.

The total value of production (shipments) of manufactured goods in the Old West Region for 1972 was \$10 billion, with perhaps \$3 billion representing value added. The assumed capital output ratio of 3 to 1 suggests that total manufacturing investment in the region may be of the order of \$9 billion. If production is to grow at 5 percent a year, or \$150 million, it suggests new capital investment of \$450 million. This capital has to come from reinvestment of profits by firms in the area and by new funds flowing in from outside the region, including foreign capital. Reference to Table 24 indicates that this is about \$200 million more than all announced new, foreign investment in the United States in 1974. Clearly, the bulk of investment to meet industrial development objectives in the Old West will have to come from U.S. sources.

Table 22

REASONS GIVEN FOR SPECIFIC SITE SELECTIONS*

	Total Firms <u>(n=55)</u>
Nearness to markets	37
Availability of labor:	
Skilled	14
Unskilled	25
Sales-Management	4
Nonunion	7
Transportation facilities:	
Harbor	12
Airport	4
Railhead	6
Interstate highways	25
Government subsidy or assistance:	
Tax exemption or reduction	12
Labor force training	2
Revenue or general obligation bond financing	4
Other	3
Nonpecuniary governmental assistance (help from state development agency or chamber of commerce)	20
Availability of raw materials	15
Low cost of land and/or construction	11
Acquisition of existing firm	10
Access to American joint venture partner	3
Research facilities, universities, tech- nology complex	3
Acess to U.S. corporate headquarters	2

* Totals exceed 55 because many respondents gave multiple reasons for site selection decision.

Source: An Analysis of Foreign Investment in Selected Areas of the United States, 1974, The International Center of New England, Inc.

No data are available on the magnitude of past investments by foreign firms in the Old West states. Table 23 presents the reported foreign investments in the Old West states, by country of origin and type of investment.

Table 23

FOREIGN DIRECT INVESTMENTS REPORTED IN OLD WEST STATES*

<u>State</u>	<u>Country</u>
North Dakota	Canada Heaters Sport Uniforms Husky Oil Farm Machinery West Germany Sugar Beet Processing (BMA)
Nebraska	Canada Husky Oil Netherlands/UK Unilever Meat Canning Japan Motorcycles - Kawasaki
Wyoming	Canada Husky Oil

* Foreign ownership over 10 percent.

Source: U.S. Department of Commerce, 1973

North Dakota and Nebraska have received a substantial amount of foreign investment, particularly from Canada, Europe (West Germany and the Netherlands), and Japan. Most recently, it has been reported that a West German firm has announced a \$60 million project in North Dakota for sugar beet processing. The Canadian investments in bordering North Dakota are designed both to serve the Canadian market under a tariff-free reentry agreement for subassembly units, and the midwest U.S. market. Canada has

a labor supply problem that causes these firms to locate in North Dakota, provided they have duty-free reentry privileges; North Dakota also provides them with a location for duty-free production and sale to the U.S. market.

In Nebraska, British and Japanese firms have invested in meat canning and motorcycle production, to serve a local market and take advantage of sources of supply, and for other locational assets. An analysis of these investments in terms of the criteria apparent from Table 22 tends to support the argument given in the previous section.

United States

Table 24 presents 1974 data on announcements of foreign investment in the United States by industrial sector, U.S. region, and country of origin.

The 1974 announcements provide some encouragement for the Old West. The region is strong in food, in machinery (especially agricultural), and to a lesser extent in selected chemicals and instruments, all of which were sectors where foreign investment was announced last year.

Thirty-three percent of foreign investment was announced for the Far West and Rocky Mountain, Plains, and Great Lakes states.

Conclusions

While foreign investment is unlikely to be the major base for industrial development in the Old West, selective promotion in key countries of firms suited to Old West resources and markets, if successful, could make a major contribution to the industrial expansion and related employment in the area.

The region must, however, undertake an analysis of product groups and companies that meet the criteria considered requisite for a high probability of success, and approach high quality, high probability candidates in a deliberate fashion.

Even then, a reverse investment program will probably produce only moderate results in a three-to-five year time span. Attention should be paid first to attracting investment from domestic sources.

Table 24

FOREIGN INVESTMENT IN THE UNITED STATES--1974 ANNOUNCEMENTS
BY INDUSTRIAL U.S. REGION, SECTOR, AND COUNTRY OF ORIGIN

	Industrial Sector		U.S. Region	Country of Origin	
	Number of Investments* (percent)	Construction (millions of U.S. dollars)		Number of Investments*	Investments
Chemicals	25%	\$106	Southeast	30%	Japan 45
Machinery	25	17	Far West and Rocky Mountain	17†	United Kingdom 44
Metals	9	10	New England	13	West Germany 43
Food	8	95†	Midwest	15	Canada 26
Stone and Glass	4	--	Great Lakes	10	Netherlands 26
Instruments	4	12	plains	6	Other‡ 60
Other	25	9	Southwest	7	
			Unknown	2	
	100%	\$249		100%	244

* Including acquisitions, new construction, and expansions.

[†] \$60 million West German construction, food industry for North Dakota, is only investment announced for Old West.

[‡] Switzerland, Spain, Australia, Luxemburg, Scandinavia, Finland.

Source: The Conference Board, New York, New York, 1974, Fourth Quarter, Announcements of Foreign Investments in U.S. Manufacturing Industries, David Bauer

VI TOURISM

Introduction

Tourism is of great economic importance to the United States. According to the United States Travel Service, Office of Research and Analysis, international tourism (including domestic travel) in 1974:

- Created or supported some 313,000 American jobs
- Contributed \$4.7 billion to the U.S. economy
- Generated about \$340 million in local, state, and federal taxes.

Out-of-state tourists (domestic and international) already contribute significantly to the Old West Region's economy. Estimated expenditures by out-of-state tourists in the Old West states totaled in excess of \$900 million in 1974. As Table 25 shows, expenditures accruing to the

Table 25

OUT-OF-STATE TOURIST EXPENDITURES* BY STATE
FOR THE OLD WEST STATES: 1974

<u>State</u>	<u>Expenditures</u> <u>(millions of U.S. dollars)</u>
Montana	\$210
Wyoming	175
Nebraska	234
South Dakota	250
North Dakota	<u>46</u>
Old West total	\$915

* Separate figures for U.S. and foreign tourists are not available.

individual states were spread reasonably evenly, with the exception of North Dakota.

Tourism is a proved form of international trade development, with considerable untapped potential for the Old West Region.

Sources of International Visitors to the United States

In 1974, over 14 million visitors came to the United States. Despite economic recession and the energy crisis, the numbers of foreign visitors to the United States were greater in 1974 than in any previous year. This is attributed to the growing prosperity of other countries of the world and the changed relationships between the U.S. dollar and other currencies. Europeans have never before had such "bargain" rates for travel in the United States.

However, as Table 26 shows, almost three-fourths of all visitors to the United States come from Canada and Mexico, with Japan ranked in the third position, followed by the United Kingdom, Germany, and France. Detailed information is not available about the numbers of foreign visitors who pass through the Old West Region en route elsewhere, or for whom the Old West states may be the principal destination. By a process of deduction and inference, it can be estimated that between 800,000 and 1,000,000 international travelers visited the Old West tourist region in 1974.* As Colorado and Utah are included in this tourist region by the United States Travel Service (USTS), it is not possible to pinpoint the numbers of tourists and their expenditures in the five states comprising the Old West Region. The number of international visitors to the Old West Region would appear to be somewhere between 425,000 and 600,000, depending on whether it is assumed that Colorado and Utah account for one-half or only two-sevenths of all foreign visitors to the USTS Old West area.

If the \$146 average expenditure figure per Canadian tourist for 1973 to the Old West, as estimated by the USTS, is accepted, then international visitors to the Old West Regional states provided somewhere between \$62 million and \$88 million in revenues to the region in 1974. Considering the minimal effort by the states in the Old West Region to attract foreign tourists, the conclusions to be drawn are simple.

* United States Travel Service (USTS) estimated that of 12.1 million arrivals from six major countries in 1974, 28 percent, or 3.4 million, visited the western states--7 percent visiting the Old West states (7 + 28 = 1/4 of 3.4 million = 850,000).

Table 26

TOP 20 COUNTRIES GENERATING VISITORS TO THE UNITED STATES: 1971-1974

Country	1974			1973			1972			1971		
	Rank	Arrivals	Percent Change Previous Year	Rank	Arrivals	Percent Change Previous Year	Rank	Arrivals	Percent Change Previous Year	Rank	Arrivals	Percent Change Previous Year
Canada	1	8,664,619	(-1.6%)	1	8,808,724	(-0.1%)	1	8,818,318	*	1	9,928,000	+2.0%
Mexico	2	1,840,849	+13.7	2	1,619,451	+17.6	2	1,377,143	+17.6%	2	1,170,583	+7.8
Japan	3	763,215	+19.6	3	638,330	+53.1	3	417,048	+34.1	4	311,065	+49.9
United Kingdom	4	450,077	(-6.1)	4	479,357	+23.3	4	388,710	+19.4	3	325,555	+11.2
Germany	5	295,873	(-10.9)	5	331,922	+39.9	5	237,329	+16.9	5	203,010	+14.4
France	6	165,703	(-12.5)	6	189,385	+21.9	6	155,348	+16.3	6	133,604	+14.8
Australia	7	113,418	+3.9	8	109,160	+21.8	9	89,626	+26.5	9	70,860	(-6.5)
Italy	8	109,210	(-8.7)	7	119,585	+7.3	7	111,460	+19.3	8	93,421	+16.4
Bahamas	9	91,902	(-11.3)	9	103,594	+0.0	8	103,607	+7.1	7	96,767	(-24.0)
Venezuela	10	88,611	+9.9	10	80,647	+12.5	10	71,711	+10.9	10	64,681	+1.4
Brazil	11	85,490	+8.9	11	78,522	+43.4	14	54,755	+15.4	15	47,464	+5.1
Dominican Republic	12	75,301	+21.6	14	61,937	+13.5	15	54,572	+5.2	13	51,853	(-12.9)
Netherlands	13	70,850	(-3.6)	12	73,468	+18.1	12	62,196	+5.9	11	58,748	+19.5
Switzerland	14	67,535	+11.7	15	60,485	+26.3	16	47,899	+24.3	17	38,534	+10.5
Argentina	15	62,497	+56.7	20	39,874	+14.8	20	34,744	(-25.8)	16	46,802	+0.5
Jamaica	16	61,709	+5.1	16	58,687	+0.7	13	58,251	+12.5	14	51,767	+10.6
Colombia	17	60,265	(-6.4)	13	64,404	(-3.0)	11	66,375	+19.4	12	55,599	+9.3
Sweden	18	50,237	(-1.5)	17	51,005	+9.6	17	46,529	+26.0	18	36,930	+3.1
New Zealand	19	48,009	+1.9	18	48,009	+34.0	19	35,832	+42.3	24	25,173	+1.8
Spain	20	44,207	(-3.7)	19	45,903	+25.9	18	36,459	+33.1	22	27,392	+15.6
Total arrivals to United States		14,123,047	+1.2%		13,955,164	+6.9%		13,057,119	*		13,595,006	+3.7%

* The data for 1972 is not actually comparable to 1971. Local bus traffic, previously excluded (considered daily travel), is now included in the 1972 bus figures. In 1971, the figures included crews of planes, buses, trains, boats, and commercial trucks, which are excluded in 1972.

Source: United States Travel Service, based on data supplied by the Immigration and Naturalization Service and Statistics Canada, "Travel Between Canada and Other Countries"

- Tourism is a proved international trade development activity for the region.
- With a concerted promotional plan, considerably larger numbers of foreign visitors could be attracted to the region.

Sources of International Visitors to the Old West

If a figure of 500,000 international visitors to the Old West Region is assumed as a reasonable joint estimate (based on the range of 425,000 to 600,000), then over 55 percent of the international visitors are Canadian.

Table 27, Canadian Vacation Trips/Arrivals to the United States, 1973, and Table 28, Canadian Vacation Expenditures in U.S. Regions, 1973, provide some indication of the importance of Canadian tourists to the Old West. It should be noted, however, that, by multiplying the estimated

Table 27

CANADIAN VACATION TRIPS/ARRIVALS TO THE UNITED STATES: 1973

<u>Destination</u>	<u>Estimated Number of Trips</u>	<u>Percent of Total Trips*</u>	<u>Estimated Number of Arrivals</u>	<u>Percent of Total Arrivals*</u>
South	405,000	24%	1,094,000	26%
Far West	357,000	21	747,000	18
New England	355,000	21	887,000	21
Eastern Gateway	321,000	19	798,000	19
Great Lakes Country	243,000	14	556,000	13
George Washington Country	128,000	8	274,000	7
Old West	112,000	7	286,000	7
Frontier West	46,000	3	109,000	3
Other (including Hawaii)	34,000	2	85,000	2
Total	1,697,000	119%	4,174,620	116%

* Includes multiple answers.

Source: USTS

Table 28

CANADIAN VACATION EXPENDITURES IN U.S. REGIONS: 1973

Destination	Base	Estimated Total Expenditures (millions of U.S. dollars)	Percent of Total	Expenditures by Party per Trip (millions of U.S. dollars)	Per Capita Expenditures (millions of U.S. dollars)
South	(177)	\$131	27%	\$730	\$270
Far West	(156)	100	20	498	238
New England	(155)	58	12	313	125
Eastern Gateway	(140)	54	11	348	140
Great Lakes Country	(106)	48	10	348	152
George Washington Country	(56)	36	7	501	234
Old West	(49)	20	4	373	146
Frontier West	(20)	18	4	782	329
Other (including Hawaii)	(15)	18	4	664	267
Total	(741)	\$483	100%	\$438	\$178

Note: The bases used in this report to determine Canadian expenditures in George Washington Country, the Old West, and the Frontier West were small and therefore should be viewed in their proper perspective.

Source: USTS

total arrivals in the Old West in Table 27 by the per capita expenditures figure for the Old West in Table 28, \$41.76 million results rather than \$20 million, as shown by the USTS in Table 28.

The predominant characteristics of Canadian vacation trips to the Old West, as determined by the USTS survey, were that:

- Thirty-eight percent were for sightseeing and 37 percent were to visit friends and relatives--people visiting friends and relatives tend to spend less in an area than sightseers, so efforts to increase the numbers of sightseers would appear to be warranted.
- Seventy percent of trips to the region were made by automobile.
- Fifty-one percent of trips were made in the third quarter of the year.
- The mean length of stay was 11 nights, with 29 percent of the trips lasting from 1 to 3 nights, 25 percent lasting 6 to 11 nights, and 22 percent lasting 12 to 23 nights.

Efforts to induce winter travel (to the ski resorts) and to attract visitors in spring and fall would add to earnings. Extending a well-defined season might prove to be more difficult than promoting a totally different activity, such as skiing, to a different segment of the market at a different time of the year.

Germans and French were, with the British, Japanese, and Mexicans, the principal nationalities to visit the West in 1974. Although California was the favored destination, it is interesting to consider Tables 29 and 30, which indicate destinations of interest to German and French tourists. Yellowstone and the Rocky Mountains have appeal. If promoted as part of a package tour program, which would include entry by way of San Francisco and exit from New York, or some such routing, it is considered that numbers of visitors from Europe to the Old West Region could be increased significantly.

Conclusions

- In any international trade development program considered by the Old West Region, tourism should be an integral part.
- The Old West Region at present services only approximately 3.5 percent of international visitors to the United States, despite proximity to Canada (largest source of U.S. visitors)

Table 29

U.S. DESTINATION PREFERENCES OF GERMAN TRAVELERS
(Percent)

<u>Destination</u>	<u>Last trip to United States</u>	<u>Inter- continental Travelers</u>	<u>Continental Travelers</u>	<u>All Respondents</u>
Western United States				
(net)	70%	71%	65%	68%
San Francisco	43	46	43	45
Los Angeles	17	19	18	18
Central United States				
(net)	24	22	24	23
Chicago	18	18	19	18
Southern United States (net)	42	42	39	41
Miami	12	12	10	11
New Orleans	16	16	16	16
Eastern United States				
(net)	55	67	84	75
New York	37	54	74	64
Washington	19	23	31	27
Pacific Islands	8	6	5	6
Niagara Falls	9	11	19	15
Grand Canyon	7	8	7	7
National Parks, Yellowstone	5	6	6	6
Las Vegas	5	4	6	5
Rocky Mountains	3	4	5	4
Cape Kennedy	4	4	7	5
Disneyland, World	2	2	4	3
BASE (don't know excluded)	(341)	(667)	(642)	(1,309)

Source: USTS

Table 30

U.S. DESTINATION PREFERENCES OF FRENCH TRAVELERS
(Percent)

<u>Places Would Most Like to Visit if Went to United States</u>	<u>Total Respondents</u>	<u>Nonintercontinental Travelers</u>	<u>Intercontinental Travelers</u>	<u>Been to United States</u>
New York	43%	40%	27%	15%
California	36	45	55	62
Niagara Falls	36	38	27	31
Rocky Mountains	24	28	39	38
Grand Canyon	19	23	36	38
Washington	18	17	18	23
San Francisco	17	19	33	38
Miami	16	19	21	23
Los Angeles	15	17	18	15
Chicago	12	13	15	8
New Orleans	12	15	27	31
Disneyland	11	13	12	15

Preference Rankings - Top 5

<u>U.S. Visitors</u>	<u>Intercontinental Travelers</u>	<u>Nonintercontinental Travelers</u>	<u>Total French Population</u>
California	California	California	New York
(T) Grand Canyon	Rocky Mountains	New York	California
(T) Rocky Mountains	Grand Canyon	Niagara Falls	Niagara Falls
(T) San Francisco	San Francisco	Rocky Mountains	Rocky Mountains
Niagara Falls	New York	Grand Canyon	Grand Canyon

Note: T = Tied

Source: USTS

and possessing attractions with appeal to Europeans (such as the Rocky Mountains, Yellowstone).

- As discussed in Chapter III, the Old West Region has a considerable resource in the knowledge, capability, and experience of the staff of the tourism departments of the states in the region.
- Based on the experience of the project team and others, tourism is a form of international trade development with a reasonably short lead time before visible payoff is observed.
- It is with pleasure that the project team has noted that the Old West Regional Commission is funding a study to develop a comprehensive plan for promoting tourism in the region. In view of this effort, the project team makes no recommendations with respect to tourism. The development of a comprehensive plan for tourism, including international, is heartily endorsed by the project team.

VII PROGRAMS FOR INTERNATIONAL TRADE, INVESTMENT, AND TOURISM IN OTHER STATES AND REGIONS

Introduction

As has already been seen in Chapter VI, the Old West Region can learn much by analyzing what others have done and benefiting from their learning. In this chapter, typical state international development programs and federal and regional programs are reviewed to see what the Old West Region can learn.

Programs and activities can be broken down a number of ways. These include the following dimensions:

- Providing information
- Putting buyers in touch with sellers
- Providing political benefits to proponents.

It is perhaps useful to look at state and regional programs here and elsewhere in these terms.

State Programs

Table 31 summarizes the budget, staffing, and activities of 26 states that responded to the National Association of State Development Agencies Survey in 1973. It is organized by size of program budget.

The larger programs are associated with states that are heavily engaged in foreign trade--states with international ports. The size of the program is related to the importance of foreign trade in the area.

Of the nine states with international development budgets of less than \$50,000, only one has an overseas office, and trade shows, missions, and seminars are sparse. At the other end of the spectrum, the 11 states whose budgets exceed \$100,000 annually, have much more extensive programs. It is important to note that each of these 11 states has one or more major ports, and either contains large local markets or is in close proximity to large markets for a wide variety of products.

Table 31

SUMMARY DESCRIPTION OF TYPICAL STATE INTERNATIONAL
DEVELOPMENT STAFF AND PROGRAMS BY SIZE OF BUDGET*

	Under \$25,000	\$25,000 to \$50,000	\$50,000 to \$100,000	\$100,000 to \$200,000	Over \$200,000
Number of states	4	5	6	6	5
Staff	0-1	1-2	1-4	3-8	5-60
Foreign offices	--	0-1	0	0-1	1-2
Own trade shows	1-3	0-1	0-1	0-2	0-4
Own trade missions	0-1	0-1	1-5	1-4	0-8
Own investment missions	1	1-3	1-6	1	1-9
Own seminars	1-6	0-6	2-12	2-20	3-30

* States surveyed include: Iowa, Kansas, Kentucky, Vermont, Wisconsin, Maine, Connecticut, Tennessee, Louisiana, Minnesota, Indiana, New Mexico, Maryland, Massachusetts, Alabama, California, Florida, Washington, Mississippi, Ohio, Virginia, Pennsylvania, Georgia, Illinois, Michigan, New York.

Source: SRI

Program details for three selected states with medium to large programs (\$100,000 to \$200,000) are shown in Table 32. As is true with almost all the states, the three states described in the table are selective in their areas of emphasis, with respect to manufactured trade, agricultural trade, foreign market emphasis, reverse investment, and tourism. Lead development and trade show participation are considered to be primarily in the area of putting buyers in touch with sellers.

Table 33 shows the promotional activities engaged in by state industrial development agencies responding to a survey by the National Association of State Development Agencies (NASDA). It indicates that participation in trade missions is more popular than trade shows, although only half the states participated in missions; and that investment missions

Table 32

SELECTED STATE PROGRAMS

	Washington	Virginia	Florida
Industrial Trade and Investment			
Staff	5	8 (4 Brussels)	6
Budget	\$150,000	\$170,000	\$150,000
Programs	Seminars, shows	--	Seminars, shows, missions
	Directory	Directory	Directory
	Lead development	Lead development	Lead development
Focus	New exporters		
	Far East	Europe	Latin America and Europe
Reverse Investment	Small effort	Major program	Modest, Japan only
Agriculture	Special state commissions	Department of Agriculture secondary crops only	Citrus and specialty crops
Tourism	Separate Division no foreign emphasis	Foreign marketing in Canada; regional program; large budget	Major program: Europe and South America

Source: SRI

Table 33

SUMMARY OF INTERNATIONAL DEVELOPMENT PROGRAMS
AND PROMOTIONS: ALL STATES

	Number of States (n=36)	
	<u>With</u>	<u>Without</u>
Programs		
Trade missions	18	18
Trade shows	14	22
Investment missions	25	11
Seminars	25	11
Promotion		
Distribute trade leads	35	1
Develop own leads	31	5
Directories	27	9
Exporter mailing list	27	9
Trade newsletter	23	13
Overseas advertising	23	13
Advisory council	20	16

Source: NASDA

and local foreign investment seminars were most popular. It was not possible to ascertain the reasons for these, except in the broadest and least definitive terms. It is suspected that trade missions provide more political capital than trade shows, and the same is true of investment missions. Also, the payoff is good with successful investment missions. Seminars are not only useful but relatively easy to arrange with federal assistance.

On the promotional side, most states did actively distribute Department of Commerce or other foreign trade leads and develop their own leads; most had export directories; and over half provided newsletters, overseas advertising, and had an advisory council. The emphasis on lead development and distribution is considered highly significant.

Regional Commission Programs

The two regional commissions with international programs are the Pacific Northwest and the New England commissions. Their international programs are summarized in Table 34.

Table 34

REGIONAL COMMISSION INTERNATIONAL
DEVELOPMENT PROGRAMS

	<u>Pacific Northwest Regional Commission</u>	<u>New England Regional Commission</u>
Budget 1974	\$150,000	\$300,000*
Budget 1975	\$600,000*	\$200,000*
Staff	1 contract manager	Management contract. Proposed New York rep., Brussels office, and Boston office
Trade activities	Far East Governor's mission Foreign buyer visits Foreign trade shows	Shows and missions Informational activities
State base	International programs programs in two-thirds of the states	International programs in four-sixths of the states
Agriculture	--	--
Tourism	--	--
Reverse investment	--	Abandoned

* Estimate.

These regional commissions have concentrated on industrial export promotion, and have done nothing in tourism, reverse investment, or agriculture. This is in part a reflection of their regional economic base (manufactures and forest resource related products) and also a reflection of strong state programs in speciality crops, such as apples. It also reflects their limited financial resources.

The Pacific Northwest Commission (PNW) has concentrated on its natural market, Japan and the Far East, while New England has looked to Europe. New England intended to begin with offices in Europe, New York, and New England, but reduced its plans and now staffs a Boston office

only. PNW, on the other hand, began with a one-man contract and intends to expand over the next few years, including possible foreign offices, but emphasizing regional products, such as the forest product industry.

The programs have included shows and missions abroad of government officials and manufacturer/exporter representatives, and sponsorship of foreign visits to the United States.

The lesson to be learned from these case histories is that it is better to begin small, with modest goals and objectives, and to grow as success and experience accrue, rather than to start in a major way and be forced to cut back to what is attainable.

Federal Programs

Department of Commerce--The international trade and foreign investment programs sponsored by the U.S. Department of Commerce are summarized in Table 35. The department is principally a service organization; it provides no grants to states specifically for participation in the international programs it sponsors and arranges; it works through regional field offices and export councils in the United States to bring information and programs to state industrial development agencies and, in turn, to U.S. manufacturers and exporters.

Table 35

U.S. COMMERCE DEPARTMENT PROGRAMS

Trade exhibitions	U.S. trade centers exhibitions and promotions International exhibitions - trade fairs U.S. solo exhibitions Catalog exhibits
Trade missions	Department organized: product theme and market specified State or association organized
Trade opportunities program	Provides sales leads by product to subscribers
Agent/Distributor/Buyers	Assists in setting up foreign outlet
Foreign buyers in United States	Arranges plant visits
Foreign investors programs	Arranges United States missions abroad Sponsors conferences abroad

The participation of state agencies in Commerce Department programs was reported for 1973 by the National Association of State Development Agencies as shown in Table 36.

Table 36

PARTICIPATION WITH FEDERAL AGENCIES,
SUMMARY: ALL STATES

	Responses by States (n=36)	
	<u>Yes</u>	<u>No</u>
Investment seminars	32	4
Trade opportunities	24	12
Industry/Government missions	20	16
Market reports	19	17
Trade shows	14	22

Source: NASDA

The foreign investment seminars, providing information on Commerce Department programs that are designed to attract foreign investors, drew the largest number of state participants. Over half the responding states received the trade opportunities reports and foreign market reports; and over half participated in Commerce Department sponsored trade missions. Less than half participated in foreign trade shows.

Agriculture Department--The Foreign Agriculture Service has several major programs designed to promote U.S. agricultural sales in foreign markets. They are summarized in Table 37.

The value of these programs to individual states depends in part on the staffs of local agricultural departments to bring information to producer/exporters. In the Old West states, some believed a regional program would assist considerably in taking advantage of the FAS services.

Table 37

U.S. DEPARTMENT OF AGRICULTURE FOREIGN PROGRAMS

Agricultural attachés	Service over 100 countries Supervise market development activities overseas Inform U.S. traders re: competition Inform U.S. traders re: opportunities Assist in establishing contacts
Government sales programs	P.L. 480 Food for Peace Sales and Grants Export Credit Sales Program for primary products
New product testing	Determination of product suitability Taste testing Fee basis Limited number of markets
Sales team program	Visits with foreign buyers Market potential analysis Tailored to firms' needs Fee basis
Supporting organizations	Industry/nationwide cooperator groups Broad spectrum joint financing of export activities
Test marketing	In-store studies for food exporters
Trade exhibits	Hotel/Restaurant/Institutional Agent food exhibits--attaché organized Catalog shows Product displays in controlled economics Livestock shows
Trade opportunity referral service	Direct mail service for specific products "Export Briefs" weekly bulletin Provides sales leads to exporters
State departments coop	Mid-America International Agri-Trade Council Seek exporters and exhibitors Aid companies Supply representatives for missions and studies
Budget	\$12 million (\$11 million to supporting cooperator programs)

